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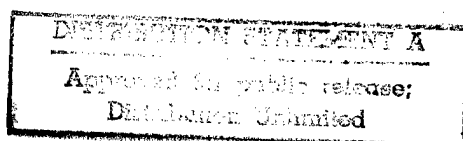
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12 August 1983

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2436



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12 August 1983

EAST EUROPE REPORT

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AGING OF CHEMICAL INDUSTRY PRODUCTION BASE DISCUSSED

Prague CHEMICKY PRUMYSL in Czech No 4, 1983 pp 217-220

[Article by Vladimir Knopp, Technical Economic Research Institute of Chemical Industry, Prague: "The Production Base of the CSR Chemical Industry"]

[Text] This contribution deals with the capacity of the current production base of the CSR chemical industry to fulfill its quantitative and qualitative tasks projected for the 1980's. It proceeds from an extensive analysis of the production base in individual VHJ [economic production units], which was completed in 1982. It acknowledges the demand of the 16th CPCZ Congress that the stipulations on the planning of concepts for the development be raised without fail.

Introduction

The discussion of expanded replacement of the production base to be implemented in the CSR chemical industry must include the following considerations:

- inertia of the existing production base;
- necessary changes to improve the technical and technological equipment;
- efficient liquidation of outdated capital assets, production facilities and products;
- rationalization programs with low investment requirements and yet highly efficient;
- realistic estimates of available raw materials and power;
- required changes of the human factor;
- economic consequences of the changes under consideration, including foreign relations.

The point of departure for these conceptual considerations is the analysis of the current level of our production base, focusing on the capacity of our production base to fulfill its production and other functions in long-term development. In the VUTECHP [Technical Economic Research Institute of the Chemical Industry] we completed, in cooperation with individual VHJ, a study and analysis of the production base of the CSR chemical industry. Our analysis was focused on a number of characteristics of the production base according to individual VHJ, and on testing their quantitative and qualitative capacity, particularly for the Eighth 5-Year Plan. Some results of this analysis, suitable for publication, may be useful to a wider circle of managers in our chemical industry in their conceptual considerations.

The Current Standard of the Production Base of the CSR Chemical Industry

The current capital base reflects considerable diversity of capital assets in terms of their technical and technological purposes, age structure, physical and service life and technical-economic standards. Its structure is affected by the historically determined inertia of production facilities organized before World War II, by the consequences of investment policies in the postwar period and by the conversion of the CSR chemical industry into a modern industrial branch based primarily on the processing of crude oil and natural gas.

The CSR chemical industry increased its capital base 2.9 times since the pivotal year of the Fourth 5-Year Plan, i.e., in the period from 1965-1980. In the Sixth 5-Year Plan the increment of capital assets from actual investments was precisely the same as the gross value represented by the entire capital base of the CSR chemical industry in 1965.

An extensive structural renovation of the CSR chemical industry called for the reconstruction of a number of new modern facilities. The new construction and to some extent, partial rationalization programs increased, for instance, capital efficiency in the production of urea 3 times, of ABS terpolymers 65 percent, of polystyrene 2.6 times, combined fertilizers 54 percent, and so on.

On the other hand, the caution in the program of liquidation kept certain facilities in reserve and led to extensive preservation of outdated technical equipment in sectors not included in the developmental support and developmental programs. During the 5-year periods CA [capital assets] were liquidated on the average in the range of Kcs 0.05 to 0.1 per koruna of CA over the period of 5 years, i.e., Kcs 0.01 to 0.02 per koruna annually.

According to the Statistical Yearbook of the Chemical Industry, as of 31 December 1980 the capital base represented a volume of Kcs 70.4 billion, of which Kcs 40.1 billion represented machinery and equipment and Kcs 30.3 billion buildings and constructions. In the total volume of the CA, Planning Group No 170 has 71.8 percent; Planning Group No 180, 11.8 percent, and Planning Group No 240, 16.4 percent. This capital base has furnished excellent equipment with CA for the workers (on the average Kcs 530.3 per worker) because of the influence of the Chemopetrol concern enterprise with predominantly high-capacity production based on chemotechnological processes. Our chemical industry has outdistanced most other branches of the national economy with its labor productivity averaging Kcs 404,500 gross production per worker.

The character of its production makes it possible to replace manpower with technology. The production base of the CSR chemical industry consumes 5,591 GWh of electricity annually, of which Planning Group 170 accounts for 4,123 GWh. Specific consumption of electric power in KWh per Kcs 1,000 or gross production amounted in 1980 in the CSR chemical industry on the average to 104.1 KWh. Total consumption of materials processed in 1980 by the production base was Kcs 36.7 billion, of which in Planning Group 170 it was Kcs 26.4 billion; in Group 180, Kcs 5.7 billion, and in Group 240, Kcs 12.5 billion. Planning Group 170 had a 71.9 percent share; Group 180, 15.6 percent, and Group 240, 12.5 percent of total material consumption. In the CSR chemical industry, specific consumption of material per koruna of gross production averaged in 1980 Kcs 0.68, in Planning Group 170, Kcs 0.72; in Group 180, Kcs 0.65, and in Group 240, Kcs 0.55.

Production Base as a Solution for the Concept of Development

Despite a relatively higher rate of investments from the Fourth through the Sixth 5-Year Plan, the average turnover period of CA, characterizing the extent of the average rate of renovation in the capital base, continued to rise to about 33 years in the Sixth 5-Year Plan. Thus, in some sectors disproportionate demands for the amounts of maintenance, imports and production of spare parts were growing without corresponding supplies of engineering equipment.

The priority development of our petrochemical complex and some other programs did not permit any major renovations in several sectors which had meanwhile undergone a period of partial rationalization programs and exhausted all more substantial opportunities for additional qualitative and quantitative dynamization. This applies to most inorganic productions (including the entire sector of fertilizers) and almost the whole sector processing rubber and plastic materials. Another conceptual solution for the material development of the inertial production base demands, at least for purposes of orientation, an answer to the following questions:

Which types of production (facilities, sectors) are able to meet their capacity and economic functions in the Eighth 5-Year Plan and in general in development up to the year 2000?

Under what conditions can individual sectors or capacities (new capital investment, reconstruction, remodeling, etc.) continue to fulfill their function?

Which capacities (sectors) are so worn out and obsolete that their continuously prolonged simple replacement is not longer feasible?

Which capacities (sectors) are eligible for delimitation within the framework of the international division of labor of the socialist countries and, on the other hand, which should be developed for those same purposes?

What will be a realistic development of the structure of social needs of chemicalization in long-term development, especially during the Eighth 5-Year Plan?

These are roughly the basic mechanisms for the long-range replacement program which are combined in practice as follows: modernization programs in the form of new construction using highly advanced technology; partial modernization; reconstruction; rationalization and organizational programs; and simple renewal.

The focus on new construction in itself requires considerable investments, calls for planning of technical policies (start of VVZ [Research and Development base] licenses) and comprehensive linkage of the cross section of our national economy; however, it may use technical and technological equipment of the topmost modern standard.

Partial steps in modernization, reconstruction, rationalization and organizational programs cause the growth of effects other than of investment for a limited period but only exceptionally do they fail to cancel the tendency of increasing the return on capital assets and advance ahead of world development [sic]. They often require nonstandard spare parts, special engineering supplies and atypical planning and basically they only delay through technical and technological renovations.

Simple renewal (maintenance) needs highly qualified maintenance workers and is the cause of very complicated repairs in high-capacity units. Its requirement of spare parts which in most cases are already "dead" and usually imported frequently deflects or prolongs repairs and leads to improvisation. The overall efficiency of simple maintenance depends to a considerable degree on time and economic considerations. Expanded replacement, with all the consequences in the export potential and requirements of raw materials, power and economy remains unresolved.

Results of the Analysis of the Situation and Capacity of the Production Base of the CSR Chemical Industry

The analysis of the situation and capacity of the production base of the CSR chemical industry during the 1980's, in other words, through the Eighth 5-Year Plan, selected three cycles of problems for the initial assignment:

- A. The characteristic of the standard of the inertial bloc of CA in terms of its physical and service life, and furthermore, in terms of age structure and accounting depreciation.
- B. Assessment of future prospects of the current production base in terms of long-range social needs of an inertial line of production.
- C. Assessment of the realistic potential of the production base for the fulfillment of the projected tasks in production during the final years of the Seventh 5-Year Plan and through the Eighth 5-Year Plan.

On the basis of methodological instructions individual VHJ prepared documentation which was studied and evaluated by the VUTECHP.

Methodological Principles

Some methodological principles must be outlined for further tests.

Physical life was determined as an expert estimate of the situation in which production and nonproduction equipment is able to fulfill its purpose.

Criteria:

- 100 percent--new equipment, situation fully satisfactory;
- 90 to 80 percent--with planned maintenance no major problems;
- 70 to 50 percent--necessary general overhaul, reconstruction, major maintenance;
- 40 to 0 percent--considerable physical detrition, critical situation, liquidation.

Service life of the technical equipment, technology and installations was characterized by the following factors:

1. modern standard comparable with the situation abroad;
2. satisfactory from the technical and economic points of view, especially for domestic needs;
3. completely obsolete.

Preconditions for the fulfillment of the tasks in production and marketing were assessed according to the following characteristics:

A. The existing capacity and technical condition guarantee the fulfillment of the projected dynamism of the needs in terms of time, material and quality.

B. The facility (production) may fulfill its social tasks under the following conditions:

- a) updating the line of products;
- b) modernization of the technical and technological equipment;
- c) remodeling, etc.

Long-range social needs of the line of products:

1. Products are in demand in the CSSR:
 - a) in any amount;
 - b) in a limited amount;

c) in selected types of assortment.

2. Products are in demand abroad:

- a) in any amount--complete line of products;
- b) in limited amounts and selected assortments;
- c) cannot compete.

Average accounting depreciation of CA (\bar{u}) is expressed by the formula

$$\bar{u} = 100 - \frac{F_z \cdot 100}{F_p} [\%]$$

where F_z = current price of CA, F_p = purchase price of CA.

To verify the analysis of the situation and capacity of the current production base of the CSR chemical industry during the 1980's, the VHJ selected 527 production and some nonproduction capacities with a total value of Kcs 43.1 billion in purchase price and Kcs 21.4 billion in current price. During the study more than 60 percent of the total value of the capital base was examined; the share of the category of machinery and equipment was substantially higher. This led to a representative selection for broader generalization of the results of the evaluation.

In terms of the structure of individual capacities as well as in the summaries of the enterprises, VHJ and chemical industry, the analysis produced the following characteristics of the production base:

- average depreciation of capital assets;
- average age structure of machinery and equipment;
- average physical life;
- service life and standard;
- projected fulfillment of the tasks of production and marketing;
- long-term public consumption in the CSSR and abroad of inertial assortments of products manufactured by the CSR chemical industry.

According to the above-mentioned parameters the analysis also defined the standard of individual specific productions of our chemical industry, the extent and urgency of the necessary innovations for the fulfillment of the tasks in the 1980's, furthermore, the degree of obsolescence of individual enterprises and their time-determined capability to fulfill their functions in production if they have not undergone major renovations.

Account Depreciation

Account depreciation of the group under study averaged about 50 percent of the CSR chemical industry; in the Chemopetrol communal enterprise 47.7 percent, the UNICHEM VHJ 59.2 percent, the CZGP VHJ 50.1 percent, and the PPC VHJ 53 percent.

Physical Life

The results of the analysis are presented in Table I.

Table I. Physical Life of CA

<u>Item</u>	<u>VHJ</u>	<u>1981-1985</u>	<u>1986-1990</u>
100 to 80 percent	Chemopetrol	17	8
	Unichem	30	22
	CZGP	38	17
	PPC	33	25
	CHP CSR	30	19
70 to 50 percent	Chemopetrol	70	62
	Unichem	58	48
	CZGP	54	58
	PPC	47	58
	CHP CSR	56	53
40 to 0 percent	Chemopetrol	13	30
	Unichem	12	30
	CZGP	9	35
	PPC	20	17
	CHP CSR	14	27

Service Standard

The share of capacities with modern standard, obsolete or relatively satisfactory, is presented in Table II.

Table II. Service Standard CA

<u>VHJ</u>	<u>1981-1985</u>	<u>1986-1990</u>
Share of capacities with modern standard (in percent)		
Chemopetrol	9	8
Unichem	12	6
CZGP	21	6
PPC	16	15
CHP CSR	13	9

Table II (Continued)

<u>VHJ</u>	<u>1981-1985</u>	<u>1986-1990</u>
Share of obsolete capacities (in percent)		
Chemopetrol	26	39
Unichem	22	34
CZGP	21	44
PPC	37	23
CHP CSR	27	35
Share of capacities with standards sufficient for the purposes of the CSSR (in percent)		
Chemopetrol	64	53
Unichem	68	60
CZGP	58	50
PPC	47	63
CHP CSR	58	57

The above data indicate a relatively low share of capacities adequate by modern standards, and a broad zone of capacities with demands for major modernization, reconstruction and maintenance of capital assets.

The current inertial bloc of CA is characterized by extensive differentiation of the production base, from 100-year old papermill machinery up to the latest models of petrochemical and refinery capacities, from modern capacities with long-range physical and service life to obsolete capacities in disastrous condition. The basic problem here is the situation in sectors without any distinctive previous investment development, rapidly succumbing to physical and economic destruction, with a very pessimistic outlook for the period of the second half of the 1980's. Our paper and cellulose industry, especially in traditional small locations, has a high rate of capacities with manufacturing plants that must be liquidated.

Potential for the Fulfillment of Tasks in the 1980's

The share of capacities which may fulfill without any problems the tasks under the current technical conditions and the share of capacities requiring renovation and reconstruction appear in Table III.

Table III. The Share of Capacities in Need of Renovation and Reconstruction and Acceptable Capacities

<u>VHJ</u>	<u>1981-1986 [sic]</u>	<u>1986-1990</u>
Acceptable capacities (in percent)		
Chemopetrol	30	28
Unichem	20	21
CZGP	34	17
PPC	35	29
CHP CSR	31	24
Remodeling of technological and technical equipment necessary (in percent)		
Chemopetrol	28	30
Unichem	5	1
CZGP	30	28
PPC	28	37
CHP CSR	26	27
Reconstruction necessary (in percent)		
Chemopetrol	31	24
Unichem	58	61
CZGP	18	25
PPC	22	18
CHP CSR	29	28

Need to Update the Line of Products

The study under discussion demonstrated that the current needs to update the line of products apply on the average in 6 percent of cases during the 1981-1985 period and in 12 percent of cases in 1986-1990. Here it appears that certain VHJ have evidently understated their estimates of needs for remodeling of their technical and technological equipment, reconstruction and updating of their line of products because in some instances they assumed that certain reconstruction projects would be undertaken during the Seventh 5-Year Plan and thus, they failed to include them in their estimates.

Long-Range Social Needs of the Current Line of Products in the CSSR

Our study encompassed 492 items. From 1981 through 1985, 42 percent of the production units (206 cases) in the CSR chemical industry had a guaranteed market for any amount of their products in the CSSR. Social need for products of the current line are limited in quantity in 45 percent (i.e., 223 cases) and only selected types of goods will be in demand in 13 percent (63 cases).

From 1986 to 1990, 167 products (35 percent) of the 479 products under study have preconditions for unlimited demand. The number of quantitatively limited demand for the entire line of products will increase to 242 cases (50.5

percent) and limitation to selected types of products only threatens 70 products (15 percent). As for the current line of products in the 1981-1985 period and in the 1986-1990 period, major problems are anticipated in the CZGP VHJ due to its overall inferior standard of renovation programs, during the 1970's, and to its prospects for the 1981-1985 period.

Long-Term Social Demands for the Current Line of Products Abroad

For the assessment of social need of the current line of products, 241 products were proposed, of which about 10 percent, i.e., 34 products, meet the presumed demand abroad in 1981-1985, 66 percent (226 products) have preconditions for a limited amount and selected lines, and 24 percent (81 products) cannot compete.

The relatively most favorable situation in the structure of individual VHJ appears in the Unichem VHJ, although only a limited amount of its products was offered for the assessment. In terms of ability to compete, a relatively higher share of products appears in the current line of goods manufacture by the CZGP VHJ. The assessment of the situation from 1986 to 1990, for which basic data are obviously lacking, did not essentially differ from the first half of the 1980's, and therefore, its cancellation value was the lowest.

Conclusion

The situation and production capacity of the current production base is obviously the decisive factor determining the quantitative and qualitative development of the CSR chemical industry in the 1980's. Our contribution attempted to present some conclusions of an analysis of the production base of the CSR chemical industry. It demonstrated that in terms of technical and technological standards the current production base cannot operate much longer without extensive renovations of capital investment and without partial reconstruction and rationalization programs in order to meet its production target.

However, neither can it operate without a serious technical-economic reexamination of the standards and types of products and the current structure of the line of goods and types of products. Although our contribution does not discuss in detail some other aspects, such as the ecological factor, it follows convincingly enough from a number of the above-mentioned specifics of the production base that the future course of the expanded replacement of the capital base calls for a qualitatively new approach to the whole conceptual solution. Obviously, this approach cannot be separated from the needs and potentials of our national economy and at the same time, it must guarantee adequate funds for a very modern future production base of the CSR chemical industry in the 1990's. At least, it is absolutely necessary to clarify the chronological sequence of the priorities, and what is obviously just as important--decisions must be made about the disposition of those sectors and facilities which are not in the priority category but whose physical and service life will expire during the 1980's while at the same time, the social demand for their output will continue.

9004

CSO: 2400/326

CZECHOSLOVAKIA

JAKES ADDRESSES NORTH BOHEMIAN REGIONAL COMMITTEE

LD302125 Prague Domestic Service in Czech 1630 GMT 30 Jun 83

[Text] Today the CPCZ regional committee in Usti nab Labem assessed of the tasks, fulfillment, set by the regional plan of development of the North Bohemian Region for the Seventh Five-Year Plan. As it appeared from the report of the Presidium, the regional plan for development of the North Bohemian Region is favorably influencing the development of the production forces, as well as the non-production sphere, in improving social and health conditions and in tackling the problems of the living environment. The most important part of the regional plan of development of the North Bohemian region is represented by the investment program, including comprehensive housing construction. Negative features comprise non-fulfillment of the plan in the building part of the investment construction. Very poor situation exists in fulfilling the tasks at those building sites of national committees investors, which is caused, above all, by shortage of building capacities.

Milos Jakes, Presidium member and secretary of the CPCZ Central Committee, stressed in the discussion that fulfillment of tasks, fixed in the regional development plan of the North Bohemian region for the 7th 5-year period, has great significance for our economy. It, however, requires a comprehensive approach to its implementation. What is involved, is purposeful investment, while ensuring effectiveness of each action, Comrade Milos Jakes said.

CSO: 2400/378

CZECHOSLOVAKIA

BRIEFS

1982 BIRTH, DEATH FIGURES--Prague--Women aged 20 to 24 accounted for most of the almost 233,300 live births in the CSSR last year. For every 1,000 women in this age bracket, there were about 200 births while for every 1,000 women older than that, there were only about 110 births. For the first time since 1975, there was an absolute increase in the number of firstborns--there were 97,300 firstborn children in 1982. The number of secondborn children dropped to 87,450 which was 3,300 less than in 1981. This shows the continuing trend toward smaller families, which could mean that the pattern of a family with two children is being abandoned and a one-child family pattern might be emerging. A total of 33,370 children in the CSSR were born as third in succession while about 4,800 families were able to welcome the fourth child and 4,830 families the fifth or sixth child. An unambiguously positive feature in Czechoslovakia's demographic development in 1982 was a further decline of newborn and infant mortality, which is undoubtedly a success of our medical and social care system. Only 3,767 children up to 1 year of age died last year, 227 less than in 1981. This is the lowest infant mortality rate registered in Czechoslovak history so far. [Text] [AU151224 Prague CTK in English [date and time missing]]

CSO: 2400/378

GERMAN DEMOCRATIC REPUBLIC

FIRST HALF 1983 ECONOMIC PLAN FULFILLMENT PUBLISHED

East Berlin NEUES DEUTSCHLAND in German 16-17 Jul 83 pp 3-4

[Official text of "Report of State Central Administration for Statistics on the Implementation of the 1983 Economic Plan During the First Half of the Year"]

[Text] The GDR working people have in the Karl Marx Year 1983 been showing great energy in implementing the 10th SED Congress resolutions. That is demonstrated by the successful balance-sheet for the first half of the year. More and more the working people's thoughts and actions are governed by the realization that the all-round strengthening of the GDR is the most important contribution to the safeguarding of peace.

The focal point in the efforts to continue the successful implementation of the economic strategy issued by the 10th SED Congress lies in economic performance improvement for the good of the people and for peace. Working people initiatives are aimed particularly at focusing the work in the combines and enterprises still more consistently at intensively expanded reproduction in line with the higher criteria developed in SED Central Committee sessions.

Great impulses for successfully carrying on the economic strategy, as resolved by the 10th SED Congress, came from the basic orientation issued by the General Secretary of the SED Central Committee, Comrade Erich Honecker, at the first kreis secretaries conference.

Socialist emulation, conducted by the trade unions under the motto: "High growth of performance through rising labor productivity, efficiency and quality. Everything for the welfare of the people and for peace!" proves a strong motor for tapping new performance and efficiency reserves, and thus for fulfilling the plan task and their targeted overfulfilment.

The results in plan fulfilment demonstrate that even under the complicated conditions of the aggravated international class conflict, socialist impulses are showing how strong they are. The GDR economy remained stable and dynamic in its development. There was considerable economic growth. Many sectors accomplished a plan lead.

The performance growth achieved by the economy in the first half of 1983 was due decisively to the combines in industry and construction. Proceeding from the SED Central Committee seminar with the general managers of combines and Central Committee party organizers, in Leipzig, efforts were aimed at fulfilling the obligations assumed by exceeding the economic plan through an extra labor productivity boost of one percent. The industrial combines in the first 6 months of this year made available industrial commodities at a value of M 2.1 billion in excess of plan targets for public supplies, the economy and export.

In socialist agriculture, the cooperative farmers and the workers came up with significant achievements in ensuring food supplies for the population and raw materials for industry. Initiatives were concentrated mainly on improving the efficiency of agriculture and its contribution to the national income.

Due to the economic performance improvement it became possible to continue the proven main task policy in its firm unity of economic and social policy under the altered foreign policy and foreign economy conditions. The results in boosting the GDR's economic capacity have made it possible to ensure, and step by step extend, the GDR people's material and cultural standard of living.

In resolutely carrying on the working class party's social policy, higher accomplishments were achieved in housing construction and in the upkeep of available housing. Social security is reinforced constantly through rising productivity. All children of our people have access to higher education; occupations and jobs are ensured for all.

Crucial for a strong continued economic growth is that all factors are completely used for the intensification of social production. That has improved the cost/benefit ratio. The socialist planned economy's consistent orientation to an intensive development of the economy and its ability to react flexibly and dynamically to the requirements of the 1980's are becoming increasingly important for our improving our economic efficiency. Combines and enterprises have begun to implement with success the resolution of the SED Central Committee and the GDR Council of Ministers on further improving management, planning and economic cost accounting. That is reflected particularly by our much increased net production. Combines are increasingly exercising their responsibility for production, sales and profits.

The performance growth is due mainly to the boost in labor productivity. In industry, the thus far greatest reduction rate has been achieved in the specific consumption of economically significant energy sources, raw and working material. The higher economic performance benefited from the better utilization of domestic raw materials and the many initiatives by enterprises and combines to return some of their 1983 plan allocations in raw and working materials and funds to the state.

The proven method of performance comparison was used more broadly. It helped further reduce disparities in the performance level among combines and enterprises.

To increase economic efficiency and, hence, national income growth, it is of fundamental importance for the science and technology plans to be stably and consistently fulfilled and for technical solutions of creative substance to be achieved. Science and technology exercised an increasing economic effect. On this basis, labor productivity was boosted, working hours, material and energy were saved and product quality was improved. The proportion of top achievements in commodities and technologies went up. The larger distributable end product and the cutback in production consumption were largely due to enhanced refining and the utilization of the available energy sources, raw materials and semi-manufactures.

In investment implementation there was a stronger concentration on economically crucial projects, much briefer time frames for completing projects, and higher economic efficiency. The material-technical base was extended more by way of modernization and renovation. Microelectronics and robot technology were more speedily applied to the modernization of the available basic assets and the automation of entire technological processes. That also helped improve the working and living conditions. There are already 26,000 robots in use in our economy. We systematically carried on the expansion of our material-technical base for producing and processing domestic raw materials.

The solid foundation on which the GDR's stable economic and social development rests is its unshakeable fraternal alliance with the Soviet Union and its integration in the community of socialist states. Socialist economic integration with the USSR and the other CEMA countries has been further deepened and made more effective. A new phase in GDR-USSR fraternal relations was opened by the official friendship visit in the Soviet Union of a party and state delegation headed by Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council. The measures agreed on with the general secretary of the CPSU Central Committee and chairman of the Supreme Soviet of the USSR, Yuri Andropov, on further deepening our economic cooperation, are a step of special significance for strengthening the economic foundations of the friendship between the two countries. On the basis of coordinated plans and in implementation of the production specialization and cooperation program between the GDR and the USSR up to 1990, the intertwining of both countries' economies has made further headway in the first half of the year. There are now in effect between the GDR and USSR 185 governmental and ministerial accords on scientific-technical cooperation. They particularly address areas that determine scientific-technical progress, such as microelectronics and robot technology.

The tasks in economically assuring national defense and internal security and order have been implemented as a solid component of the socialist state's economic policy.

Under the "FDJ Peace Appeal" the young generation is doing great things for our country's economic performance improvement. The 41,600 youth brigades and youth research collectives are taking an active part in the mass campaign for boosting labor productivity. During the Pentacostal Meeting of Youth and the "Peace Meeting of the Youth of Socialist Countries," held for the first time, in Potsdam, and the "Congress of the Working Youth of the GDR," youth confirmed anew: He who comes up with high achievements in the all-round strengthening of our socialist fatherland and in ensuring its revolutionary accomplishments, reinforces peace most effectively.

Under the socialist competition of the National Front of the GDR, millions of citizens came up with impressive achievements under the motto "More Beautiful Towns and Communities--Join-in!"

The following are the main results obtained in fulfilling the targets of the national economic plan in the first half of 1983 (provisional figures):

--The national income produced rose by 4 percent. More than three-fourth of the national income growth came from industry. Of crucial importance to the smooth development of national income produced was that much more use has been made of the qualitative factors of economic growth by way of socialist intensification and rationalization.

To more than 80 percent, the national income growth is due to the boost in labor productivity. Production consumption was reduced in the first half year by 3 percent per unit of national income produced.

--Manufacturing output rose by 4.5 percent in the sector controlled by industrial ministries and by 3.8 percent in the economy.

The overall plan target for manufacturing output was exceeded in the first half year in the economy and in the sector controlled by industrial ministries.

--Of special weight for improving industrial efficiency was the further improvement in the cost/benefit ratio. Net production increased by 6.2 percent. The net production plan was exceeded. That was greatly helped by the reduction in production consumption. The specific consumption of economically important sources of energy, raw materials and semi-manufactures was reduced by 8 percent.

--The labor productivity of the workers and employees in the sector controlled by industrial ministries grew, on the basis of net production, by 5.3 percent. The production growth achieved came to more than 80 percent from the greater labor productivity. In 43 combines, the rate of growth in labor productivity was faster than in the first half of 1982.

--Due to the improvement of the cost/benefit ratio, prime costs per M 100 of commodity production were reduced by 2 percent compared with the first 6 months last year in the sector controlled by industrial ministries. Profits were almost M 700 million higher than in the same period last year.

--Science and technology assumed higher economic effects. The boost in labor productivity and the reduction of production consumption largely became possible through using scientific-technical progress. The manufacture of top products for supplying the population and the economy and for export rose to 15 percent above the level of the first half of 1982. By the compliance with scientific-technical measures, 259 million working hours were saved in the economy. That is an equivalent labor capacity of 280,900 working people in this time frame.

--The qualitative level of industrial output has been improved further. Industrial products bearing the highest quality mark "Q" were manufactured to the tune of M 34 billion.

--A total of over M 24 billion was invested in the first 6 months of this year with a view to systematically strengthening the material-technical base of the economy and continuing the social policy program, mainly through modernization and reconstruction.

For the renovation, modernization and reconstruction of the available basic assets and for improving their efficiency, more rationalization investments have been placed.

--Construction output rose by 3.1 percent. The plan was fulfilled by 101.3 percent. In the construction ministry sector, net production grew by 7.8 percent. Planned net production was exceeded. The planned basic materials costs per M 100 worth of output in the construction sector have not been fully used up. This production growth was achieved while production consumption almost stayed even.

--With 95,997 dwellings built or modernized, we got 5,141 more than planned and 6,780 more than in the first half of 1982. That improved the housing conditions for 288,000 citizens, especially in the working class centers. Construction repairs in dwelling units rose by 12 percent.

--Agriculture surpassed the plan target for the volume of fat stock, milk and chicken eggs to be delivered to the state. The size of livestock herds was greater than at the same time last year.

--Livestock losses were reduced in comparison with the first half of 1982, by 34 percent for calves, by 23 percent for sucking pigs.

--The working people in the transport sector satisfied all demands of the national economy. Through a more rational organization of transport and delivery relations and the reduction of expenditures, transport services became more efficient. The increased economic output was handled by smaller transport costs than in the same period last year. The shifting of transport from road to rail and inland waterways has been continued with success.

--Thanks to the initiative-rich efforts of the working people in the combines, enterprises and foreign trade enterprises, GDR exports grew by 15 percent. The foreign trade turnover with the socialist economic region grew by 9 percent, as it did with the GDR's biggest trade partner, the USSR. Trade with the developing countries rose by one-fourth. Trade relations with the capitalist industrial countries were further expanded. The trade balance with the nonsocialist economic region again showed an export surplus.

--The state spent M 32 billion from public funds for the population in the first half of 1983. Thereby, over M 800 million more were set aside than in the same period last year for housing and maintaining stable rents, keeping consumer prices and tariffs stable, and satisfying the growing health, social, intellectual and cultural demands of the people.

--The net monetary income of the population grew by M 1.4 billion. Workers and employees kept earning an increasing proportion of the monetary incomes of the population.

--Retail trade turnover came to M 49.5 billion. Services and repairs for the public increased by M 220 million. Cooperative and private craft enterprises made up a large share of it.

--In public education, further advances were registered in the pupils' education and training level. Material conditions have been improved. Newly created facilities included 824 classrooms, 46 school gymnasiums and 10,552 kindergarten places.

--Medical and social services for the population have been perfected, including the health protection for working people. Facilities were provided for an additional 107 medical practitioners and 66 dentists. A total of 181,000 adults and children underwent prophylactic or other treatments.

--Physical culture and sports were promoted in every way. Remarkable achievements were seen in the contests of the DTSB of the GDR, "Spartacus and Sports Festival Relay 83" and in preparation for the Seventh Athletic and Sports Festival and the Ninth Children and Youth Spartacus Festival of the GDR in Leipzig. In world and European championships, GDR athletes, both male and female, won 15 gold, 20 silver and 16 bronze medals.

--Socialist culture and art contributed by new works to enriching the socialist national culture and the further shaping of the socialist way of life. Political and intellectual-cultural life fully falls under the auspices of the various tributes to the life and work of Karl Marx.

Berlin, the GDR capital, saw a further accentuation of its role as the political, economic, intellectual and cultural center of the socialist GDR. The 14,000 young people that were delegated to the central youth project, "FDJ Initiative Berlin," have played a significant part in this.

I. Industry

Thanks to the great initiatives and diligence of the working people in industry, a considerable performance growth and plan lead were achieved through socialist competition.

Industrial manufacturing output in the sector under the jurisdiction of the industrial ministries rose by 4.5 percent in the first half of 1983 in comparison with the same period last year. Net production rose by 6.2 percent. This expresses the advances made by way of intensification both with regard to the increased material production volume and the higher efficiency. Industry gained a greater share in the produced national income.

Industrial commodity production and net production plans were surpassed every month. State plan targets for industrial output in the sector under the jurisdiction of the industrial ministries were fulfilled by 101.1 percent. In this way goods worth M 2.1 billion were supplied to the population and the national economy and made available for exports in excess of the plan by the combines and enterprises. This plan lead was accomplished altogether without resorting to extra energy, raw material and material funds. Many combines returned to the state 1983 plan allocations in raw materials, semi-manufactures, energy sources and ancillary supplies.

All industrial sectors surpassed the plan targets for manufacturing output.

<u>Factories controlled by the ministry of</u>	<u>Fulfilment of targets for manufacturing output in the first half of 1983, in percent</u>
Coal and power	101.1
Ore mining, metal working and potash	101.1
Chemical industry	101.4
Electrical engineering and electronics	100.2
Heavy engineering and industrial plant	100.8
Machine tools and processing machinery	100.6
General mechanical, farm and automotive engineering	101.3
Light industry	101.2
Glass and ceramics	100.9
Geology	100.9
Regionally administered industry and food industry	101.8

The working people's efforts toward improving the cost/benefit ratio are reflected in their surpassing the planned net production. Decisive for this were the reduction of specific production consumption and the increasingly better utilization of available energy sources, raw materials, semi-manufactures and basic assets. Of the 132 centrally managed combines, 124 met or exceeded the state quotas on net production and manufacturing output. Among the combines with outstanding results both in larger outputs and improved net production are Microelectronics Erfurt, Quality and Refined Steel Combine Brandenburg, Mansfeld Combine Wilhelm Pieck, Eisleben, Leuna Works Walter Ulbricht, Pharmaceutical Combine GERMED Dresden, and Lignite Plant Construction Regis.

Factories coming under the bezirk economic councils recorded a 101.5 percent fulfilment of the planned targets for industrial output. Combines reaching high increases in producing end products for the public and, above all, making a considerable contribution to supplying the population, proper as to demands, by refashioning their production assortments were, among others, Bekleidung und Taeschnerwaren (clothing and leather goods) Berlin, Rundfunk- und Haushalttechnik (radio and Household furnishings) Stollberg, and Sponeta Schlotheim.

The production of new consumer goods in the first half of the year came to a volume of M 9 billion. They excel by excellent qualities, good design, a higher use value and operational features.

A higher contribution came from the combines making the means of production to manufacture finished products for the population. Combines making means of production which manufacture consumer goods at large volumes and fine qualities include the Mansfeld Combine Wilhelm Pieck, Eisleben, Fahrzeugelektrik Ruhla, Microelectronics Erfurt, Luft- und Kaeltechnik (air conditioning and refrigeration) Dresden, Textima Karl-Marx-Stadt, and Werkzeugkombinat (machine-tool combine) Schmalkalden.

The planned sale of finished products for the population was surpassed in all sectors. In some enterprises and combines, especially in the chemical and the furniture industry, plan tasks were met, yet not so the assortments contracted for and the delivery deadlines.

The supply of fuels and power to the economy and the population was ensured by the high production performance of the working people in the coal and power industry. Through production intensification in open-cast mines the mining of lignite and the manufacture of coal refinement products were increased above the plan. The excess in raw lignite was 894,000 tons, sifted coal 794,000 tons, in lignite briquettes 451,000 tons, in lignite high temperature coke 41,900 tons and in lignite low temperature coke 143,500 tons. Pulverized coal production reached 150 percent more than last year, and the production plans for natural gas were surpassed by 302 million cubic meters. That created further preconditions for substituting for imported energy sources. Available power plant operations were ensured according to plan.

The working people on the central youth project, the natural gas pipeline in the USSR, headed by circa 5,000 FDJ members, fulfilled their obligations in the first half of 1983 at the pipeline, on the line, in building a compressor station and in setting up infrastructure objects.

The Pritzwalk-Neubrandenburg construction section of the central youth project of the FDJ, the natural gas pipeline in the GDR, was completed ahead of schedule.

The working people employed in the geological industry met their targets for prospecting deposits of domestic raw materials and ground water. Natural gas from indigenous sources became more ample.

Above-average growth rates were achieved for the following important raw materials and ancillary products: Thin and heavy plate, industrial gears, polyurethane, conveyer belts with steel cable or fabric inlays, products for hydraulics, gaskets, castings made of aluminum and aluminum alloys, phosphates for agriculture, pure benzene, optic glass and construction cohesives.

In microelectronics products planning quotas were surpassed. The manufacture of semiconductor and electronic components rose by 37 percent, including that of monolithic integrated circuits by 43 percent. That provides further prerequisites for a broad application of microelectronics in the economy.

The proportion of machine tools under digital control in the manufacture of metal-cutting machine tools rose to 36 percent in the first half year. The production of robot technology devices increased by 16 percent.

Quantitative increase in the manufacture of major products in comparison to the first half of 1982, in percent

Electricity	100
Raw lignite	101
Natural gas	115
Lignite briquettes	101

Rolled steel, total	103
Products further processed by the metalworking industry	105
Potassic fertilizers	100
Nitrogen fertilizers	102
Pure benzene	128
Synthetic fibres	100
Polyurethane	111
Metal-cutting machine tools	109
Plastics and elastomer machinery	114
Machinery and equipment for the polygraphic and paper-processing industry	111
Armatures	107
Hydraulic units	111
Antifriction gears	105
Solid state circuits	143
Construction cohesives	110
Process instrumentation and control engineering	105
Numerical control testing devices	114
Underwear	100
Outerwear for men	105
Hosiery	105
Walking shoes	102
Textile floor covering	110
Furniture and upholstered goods	106
Household washing machines	105
Household refrigerators	103
of which	
Household deep-freeze units	106
Electric-hearth furnaces	106

The labor productivity of the workers and employees in the sector under the industrial ministries, based on net production, rose by 5.3 percent. Manufacturing output per worker and employee rose by 3.6 percent. Up to more than 80 percent of industrial production growth comes out of the higher labor productivity. In 43 combines the rate of growth in labor productivity increased, as compared with the first half of 1982.

Quality standards in industrial production have been raised further. Industrial products with the top quality mark "Q" have been produced to the tune of M 34 billion which, with their use value, working life, reliability and design features, help set the most advanced international standards. Such improved qualities are particularly due to the 600 enterprises holding the title "enterprise of excellent quality." Costs caused by rejects, reworking and guarantee-covered repairs were 4 percent lower than in the first half of 1982.

The manufacture of equipment for the rationalization of production by the factories themselves grew by 17 percent in the sector of the industrial ministries. Their planned targets were exceeded. Their capacities have been expanded by assigning more skilled specialists, designers and technologists. In some combines the efficiency of the rationalization equipment manufacture was enhanced through their own scientific-technical design and project planning teams. Micro-electronics was more drawn into the indigenous manufacture of rationalization

equipment. The number of robots with electronic controls indigenously manufactured has risen. It facilitated the conversion of entire technological processes. The industrial enterprises' own construction departments contributed to rationalization and improving value maintenance with a 7-percent production growth.

The enhanced refining of energy sources, raw materials and semi-manufactures has helped improve qualities and efficiency and contributed to the production growth achieved. Fine results in the manufacture of high-grade products and the reduction of production consumption, especially through the application of modern procedures and technologies, were achieved above all in metallurgy and the chemical industry. In the metallurgical industry the proportion of refined products in the rolled steel output rose to 62.5 percent. The manufacture of refined products with lower material intensity was induced by measures in the field of industrial prices.

An industrial performance improvement of 8 percent was achieved in the first half of 1983 at a reduction of the specific consumption of economically important energy sources, raw materials and semi-fabricates. The concentration of scientific-technical efforts on the development of material-saving designs, technologies and procedures, the multi-shift capacity utilization of modern equipment and the increased use made of domestic GDR raw materials have greatly contributed to that. The higher energy and materials economy was assisted by a purposeful elaboration and application of progressive utilization norms and parameters.

The metal-processing industry reduced the specific consumption of rolled steel by 7 percent and, while production increased, used 2 percent less in rolling steel, in absolute figures, than in the first half of 1982.

Reduced also was the consumption of a number of important raw materials and semi-fabricates such as nonferrous metal, synthetic, wood and leather materials, paper and cardboard. The thrifty handling of energy and the substitution of domestic energy sources for imported ones reduced specific primary energy consumption in energy units by 6 percent. Consumption was 13 and 23 percent lower, for hard coal and hard coal coke respectively, than in the same period last year. Energy sources were substituted for mainly by making more use of domestic natural gas and raw lignite.

Good results were achieved in collecting and using secondary raw materials. Collecting secondary raw materials was greatly supported by public initiatives. Public collection came to one-third of the total in aluminum scrap, 45 percent in recycled paper, two-thirds in old clothes and 95 percent in bottles and glasses. The members of the FDJ and the Ernst Thaelmann pioneer organization made a great contribution to the collection of secondary raw materials. The "Save Materials" campaign organized by the FDJ brought many initiatives into effect on collecting more scrap and old paper.

The utilization rate of important production equipment in industry rose to an average of 15.5 hours per calendar day. Among the combines where in the first half of 1983 a high utilization level of the production equipment was attained and where new production equipment after a brief breaking-in period was already consistently used throughout 3-shift operations mainly were the combines Umformtechnik Herbert Warnke, Erfurt (forming), Werkzeugmaschinenkombinat Fritz Heckert, Kal-Marx-Stadt (machine tools), Werkzeugkombinat Schmalkalden, TAKRAF Leipzig, Baukema Leipzig, and the Suhl Elektrogeraetewerk (electrical equipment plant).

By using the experiences of those combines that are doing exemplary work in this field, important reserves can still be tapped.

Profit--the concentrated expression of higher efficiency--was almost M 700 million higher than in the first half of 1982. The planned domestic result in the sector of the industrial ministries was exceeded.

The advances in saving material and energy and in the effective use of the social labor capacity are reflected in cost reduction. There was a 2-percent reduction, compared with the same period last year, in total prime costs per M 100 in commodity production. The following combines above all stayed greatly below the planned total prime costs per M 100 in commodity production: LEW Hans Beimler Hennigsdorf, Mansfeld Combine Wilhelm Pieck, Eisleben, Robotron Dresden, Microelectronics Erfurt, Ceramic Works Hermsdorf, Chemical Works Buna and Schuhe Weissenfels.

Some combines did not yet achieve the proper pace in reducing production consumption and prime costs and in producing profits, as required for national income growth.

The working people in water management ensured stable drinking water supplies for the population and made available water for all sectors of the economy in the quantity required. Through the intensification of water management installations and systematic investments, the water management prerequisites for ensuring the housing construction program are in place. The people in water management made great efforts to remove flood damage and make coastal protective installations completely functional. Reforestation and maintenance measures in the forests have been bolstered. Other tasks in environmental protection, especially in the industrial conurbations, were carried on according to plan.

II. Science and Technology

The economic effectiveness of science and technology was enhanced, and the cost/benefit ratio of scientific-technical work in the economy was improved.

The manufacture of top products for supplying the population, the economy and export came to M 34 billion, 115 percent higher than in the same period last year. This further improved the efficiency of the GDR economy's production and export structure.

This development took place on the basis of ever closer scientific-technical cooperation, especially with the USSR. This underscores the vital importance of joint efforts for advances in science and technology and the use of their modern data in the energy and materials economy, the refining of energy sources and raw materials, microprocessor and robot technology, and the higher efficiency and improved qualities in consumer goods and foodstuffs production. It is of basic significance that the tasks set down in governmental agreements and ministerial accords were met and go a long way toward improving our capacities.

Through the use of scientific-technical data, prerequisites were laid for improving production efficiency:

--A total of 259 million man hours were saved. That is equivalent to the hours worked by 280,900 working people in the first half year. A decisive share in this came from the new organization and reorganization of 114,000 jobs in line with the insights into scientific labor organization while improving working conditions and eliminating labor hazards for 12,000 working people.

--The application of scientific-technical data in saving energy resulted in a reduction of specific energy consumption equivalent to 7 million tons of raw lignite.

--The reduction in production consumption was due mainly to reducing specific material use. The specific reduction was equivalent to saving 280,000 tons of rolled steel, 30,000 tons of foundry products, 9,000 tons of nonferrous metals and 230,000 tons of cement.

The targets of the science and technology state plan and of the tasks of the science and technology plans in the combines were met and, in part, surpassed. That also was helped by completing ahead of schedule many tasks within the framework of the socialist competition for the Karl Marx Year. Altogether 2,301 scientific-technical results of the science and technology state plan and the enterprise plans were put into production. On this basis the plan is for 1983 to manufacture products to the tune of M 15.7 billion with higher efficiency and better qualities.

Among the economically important results of science and technology that were put into production in the first half year are:

--New microelectronic circuits and high-performance transistors and special technological equipment and materials for ensuring a higher rate of speed in the development and application of microelectronics, the use of microprocessor controls to enhance the efficiency of industrial processes, including pressure gas production and smelting processes in the glass industry.

--Development and use of additional industrial robots, including minirobots for assembly processes with low-mass components and new types of spray-paint robots and new solutions for sensors and peripheral components for robot controls.

--Reducing heating oil consumption in Siemens-Martin furnaces, better quality and the expansion of the use of lignite high-temperature coke, and solutions for high-grade coke substitution in casting.

--Introduction of new assortments of highly refined materials and ancillary products, including seamless tubing for the hydraulics industry, galvanized straps for the production of microelectronics components, tin-free storage materials, new types of high-grade polyurethane granules and cadmium-free synthetic accessories.

New industrial consumer goods are prerequisite to expanding the supplies in industrial commodities for the public and for export.

In the outcome of basic and applied research at the Academy of Sciences, GDR, and the universities and colleges, 35 top-level research projects were completed, including procedural principles for highly refined chemical products, basic projects for new microelectronic components and for the development of robot and automation technology. Those results help extend the scientific lead for the future efficiency development of the economy and are being brought to application maturity through joint efforts of the research institutions and the combines.

The creativeness of the innovators, inventors and rationalizers was purposefully directed at solving the tasks under the plans for science and technology. Over one million working people in the state-owned economy were involved in the innovators' movement. The annual benefit derived from innovations introduced into production in the first half of 1983 amounted to M 2.7 billion.

The contribution by youth to solving ambitious scientific-technical tasks was further heightened in preparation of the working youth congress within the framework of the MMM movement (Fair of the Masters of Tomorrow) through the FDJ initiatives "Materials Economy," "Microelectronics," and "Industrial Robots." The results of the youth project of the science and technology state plan and the initiatives of the newly formed youth research collectives have had a decisive share in this. The "inventors' contest of youth," sponsored jointly by JUNGE WELT, the Chamber of Technology, and the Office for Inventions and Patents, led to 567 patent registrations.

III. Investments

A total of over M 24 billion was invested in the first 6 months of this year in the economy in order to perfect the material-technical base of the economy according to plan, especially by way of modernization and reconstruction, and to carry on the social welfare program.

Investment activity concentrated on the measures set down in the 1983 plan for energy source conversion, the further expansion of the energy and raw materials base, measures on utilizing secondary raw materials, the rapid transfer into production of effective scientific-technical data of great economic importance, particularly automation by way of microelectronics and robot technology, and the purposeful implementation of the foreign economy tasks set down.

For energy source conversion nearly 15 percent of all investments were spent in the first half year.

More rationalization investments were placed in the renovation, modernization and reconstruction of extant basic assets and the improving of their efficiency. In the processing industry, more than half of the investments were used for rationalization. Crucial for that was an important increase in the performance of the construction of means of rationalization. More than 23 percent of industrial equipment investments comes out of the factories' own construction of means of rationalization. That greatly helped increase the tempo of modernization of the extant basic assets, of product replacement and of introducing modern technologies. In the first half of the year the number of robots used in the economy rose to 26,000. Purposeful rationalization made it possible to provide a higher production level in many plants operating for years, save jobs, and assign working people to making a higher capacity use of the basic assets, to constructing means of rationalization and to consumer goods production. That pertains in particular to sectors under the industrial ministries such as electrical engineering and electronics, machine tools and processing machinery, and general mechanical, farm and automotive engineering. With the increasing modernization of the extant basic assets and the wider application of modern construction technology solutions, the construction portion of investments was further reduced. In the centrally managed enterprises controlled by the industrial ministries it dropped to less than 25 percent.

The stronger concentration of investment activity on economically decisive projects helped greatly shorten production time frames and led to higher economic efficiency. Through shortening the production time frames the application of important scientific-technical results was accelerated. The planned commodity production growth from investments has been accomplished.

In the first half year, 250 capacities of centrally managed investment projects started their permanent operations. Of great importance for further improving productivity and reducing raw material and material consumption in the economy is that 25 microelectronics capacities went into operation.

Among the capacities that went into operation in the first 6 months were:

- Consumer goods capacities such as the production of all-purpose lamps in the state-owned NARVA Rosa Luxemburg Combine, Berlin, Polyamid-Textur silk in the state-owned Texturseidenwerke Floeha, and motorcycles in the state-owned Motorradwerke Zschopau.
- Numerous capacities were set up to improve foodstuffs and luxury items supplies, such as liquor production in the state-owned Nordbrand Nordhausen, juice in the state-owned Obstverarbeitung (fruit processing) Hosena and dairy products in the state-owned Milchhof Magdeburg, and greenhouse installations for growing cucumber, tomatoes and lettuce in the state-owned Gartenbau, Karl-Marx-Stadt.
- Capacities to expand raw material production, such as production installations to produce magnesium-chloride salts in the state-owned Kali Sondershausen Combine and oxygen and nitrogen in the state-owned Technische Gase Leipzig, Sauerstoffwerk Brandenburg.
- Capacities for the enhanced refinement of raw materials and material and the utilization of secondary raw materials, as for the production of sulphate turpentine resin and liquid resin in the state-owned Zellstoff- und Zellwollewerke Wittenberge, polyester granulate in the state-owned Chemiefaserwerk Herbert Warnke, Guben, modified Epoxid resins in the state-owned Walter Ulbricht Leuna works, Wolprydla in the state-owned Friedrich Engels chemical fiber plant Premnitz, and installations to process steel scrap in the state-owned Metallaufbereitung Dresden.
- Capacities for products in microelectronics and electrical engineering such as solid state circuits in the state-owned semiconductor works of Frankfurt/Oder, silicon plate in the state-owned Spurenmetalle Freiberg, condensers in the state-owned condensor plants of Freiberg and Electronics Gera, special machinery and conductor plate in the state-owned Kontaktbauelemente and special machinery construction Gornsdorf, integrated circuits in the state-owned ceramics works in Hermsdorf, and special equipment in the state-owned Center for Research and Technology, at Microelectronics, Dresden.
- Capacities for ancillary products such as gear shafts in the state-owned Getriebefabrik Goswig, pistons in the state-owned Druckguss- und Kolbenwerke Harzgerode, special armatures for nuclear power plants in the state-owned Karl Marx Magdeburger Armaturenwerke, Magdeburg, and switchboards in the state-owned Starkstrom-Anlagenbau Erfurt.
- Capacities for investment goods such as industrial robots in the state-owned Zentraler Ingenieurbetrieb of Metallurgie Berlin, machines and apparatus for substance separation at the state-owned Chemieanlagenbau Stassfurt, large and medium-size machines in the state-owned Elektromaschinenbau Sachsenwerk Dresden, and metal-cutting machine tools in the state-owned Drehmaschinenwerk Leipzig.

Investments to the tune of M 5 billion were made in housing construction, education, health, social welfare and culture.

An improvement of medical care came from expanding the Potsdam Bezirk hospital. A newly constructed second recreation center in Binz was completed. In Rheinsberg, the 100th newly built FDGB recreation home since vacation service has been in existence in the trade unions was handed over for use.

Through setting up five youth clubs and reconstructing and expanding five central pioneer camps in Zwickau, Sebnitz, Gruenheide, Brodowin and Frauensee, conditions for leisure-time and vacation activities for children and adolescents were further improved.

After an extensive reconstruction of Wartburg castle and a careful restoration of its art treasures, this important monument of the humanistic tradition of German history was reopened in April. Reconstruction work continues according to plan on the Platz der Akademie, Deutsches Theater, the reconstruction of the Friedrichstadt Palace in our capital Berlin, and the rebuilding of the Semper Opera in Dresden.

IV. The Construction Industry

The working people in the construction industry exceeded their production plans in all months.

Construction output, compared with the first half of last year, rose by 3.1 percent. The plan was fulfilled to an extent of 101.3 percent. All centrally managed combines in the construction industry exceeded their planned targets by one percent and more. To keep new construction integrated with reconstruction, modernization and the maintenance of existing structures, we continued giving primacy to what comes under reconstruction measures.

In industrial construction, the proportion of construction for rationalization projects kept rising further. It led to the reduction in construction expenses and shortened the construction time frames. The construction performance of industrial enterprises with their own construction departments rose by 7 percent over that in the first 6 months last year.

The output of the construction materials industry was brought in line with the changed structure of construction tasks. In producing building materials and prefabrication products the plan was fulfilled to an extent of 101.9 percent. Important items, particularly medical ceramics and heating surfaces, were manufactured in excess of their plan. More building materials were made available to the public.

Especially large increases in output and high levels of overfulfilment of the plan were attained by combines BMK Chemie Halle, Kombinat Technische Gebaeude-ausruestung Leipzig, the housing construction combines in Cottbus and Gera, Strassen- und Tiefbaukombinat Magdeburg, the kreis-managed construction in the bezirks of Erfurt and Frankfurt, and the construction under the management by the city-district of the capital Berlin.

More qualitative factors of economic growth were used for the development of performance and efficiency. Most construction combines did well in this. Net production rose by 7.8 percent. The planned net output was overfulfilled.

Profit rose greatly over that in the same period last year. A higher profit was produced than had been planned. That is principally attributable to that total prime costs per M 100 of construction output were reduced by 1.5 percent in the first half year and the planned total prime costs per M 100 of construction output were not resorted to at their full size.

In terms of net production, labor productivity rose by 7.6 percent. The planned productivity level was surpassed in all combines and in the sector of all bezirk construction bureaus. For the higher efficiency it was decisive that the production growth was achieved while production consumption remained almost equal. Above and beyond the plan, specific consumption of important building materials, such as rolled steel and lumber, was reduced.

The efficiency and productivity growth achieved was more and more due to science and technology. From the state plan and the industrial science and technology plans, as many as 281 introductory tasks were implemented. Scientific-technical work concentrated more on such tasks that would lead to reducing specific building expenditures, enforcing material and energy economy construction, and saving more working hours.

Especially the energy-intensive production processes in the building materials industry managed to reduce specific energy consumption and to drop below the planned energy allocations.

In the first 6 months, 95,997 dwelling units were newly built or modernized, this being 5,141 more than planned and 6,780 more than in the same period last year. The number of newly built dwelling units totals 59,756, including 7,855 owner-occupied homes, and 36,241 dwelling units were modernized. All bezirks fulfilled their plan targets.

Pursuant to consistently carrying on the housing construction program, on behalf of high efficiency of it, over 80 percent of new housing went to cost-effective buildings up to six floors instead of expensive high-rise buildings. More houses than hitherto were built on established sites in downtown and inner-city centers. It made construction less expensive.

In communal facilities newly built were: 5,034 nursery places, 10,552 kindergarten places, 824 classrooms and 46 gymnasiums in the general education secondary schools. Senior citizens got 1,490 vacancies in old age and nursing homes. This altogether exceeded the plan targets for communal facilities. There were some kreises where the completion of structures within the scope of the housing construction program did not come up to the full extent.

Kreis-managed construction has become more efficient. So building repairs in apartment buildings rose by 12 percent. The plan was fulfilled in toto. Some kreises permitted backlogs in relation to building repairs in apartment buildings.

The population, within the scope of the "Join-in!" competition, greatly contributed to improving the housing conditions. For senior and disabled citizens, 65,000 apartments were renovated in the process.

A total of 10,162 apartments were newly built or modernized in the capital Berlin. The building firms from the bezirks in the republic helping in the construction of the capital met their planned construction targets. The young building workers have a major share in this result through their "FDJ Initiative Berlin."

V. Agriculture, Forestry and Food Processing

The cooperative farmers and the workers in agriculture, forestry and food processing have done well in supplying the population with foodstuffs and industry with raw materials, according to plan. The activities and initiatives of the cooperative farmers and workers were principally aimed at improving the efficiency of agriculture and its contribution to the national income. In the outcome of intensification they were able to increase their output further while reducing their costs.

State quotas for livestock production were fulfilled as follows:

Plan fulfilment of state quotas in the first half of the year (in percent)

Fat stock, total	101
Milk	106
Eggs	106

The stock of cattle, pigs, sheep and laying hens was larger than at the same time last year.

On 31 May 1983, livestock totals were as follows:

	32 May 1982 in 1,000	Livestock as of 31 May 1983 in 1,000
Cattle (total)	5,750	5,773
cows	2,121	2,100
Pigs (total)	11,392	12,277
sows	1,194	1,236
Sheep	2,524	2,589
Laying hens	27,821	27,881

The cooperative farmers and workers have improved breeding results and reduced livestock losses in comparison with the same period last year. Losses were reduced by 34 percent for calves and by 23 percent for piglets. That was greatly due to reinforcing LPG livestock production personnel through young people following the "Animal Production" FDJ initiative and to the application of optimum performance conceptions relating to proper stabling.

An important contribution to supplying the population, above all with eggs, poultry and rabbit meat, vegetables and fruit, was made by the cooperative farmers and workers with private plots of land as well as by the members of the Association of Allotment Gardeners and Small-scale Animal Breeders and other small-scale producers.

Grain was grown on almost 2.6 million hectares, the overall area cultivated thus being larger than last year. Spring cultivation was hampered by persistent precipitation.

The state produce plan was fulfilled in the first half year. Yields were higher than in the same period last year. With it, we succeeded in increasing the bezirks' own produce production.

As far as soil improvement is concerned, drainage and irrigation were improved on 33,000 hectares and fertility raised as a result.

The plan on an indigenous production of the means of rationalization was overfulfilled in agriculture, forestry and food processing, such production showing an increase of 17 percent.

The enterprises in agriculture, forestry and food processing in the first half of 1983 reduced their consumption of liquid energy sources in comparison with the same period last year.

In food processing, the industrial commodity production plan was surpassed.

Forestry supplied the national economy with over 5 million cubic meters of trunk timber, this being 56 percent of the annual plan.

VI. Transport, Post and Telecommunications

Transport workers met the transport requirements of the economy. A more efficient handling of transport and delivery relations and the reduction of costs made transport processes more effective. Specific transport expenditure in the first half year of 1983 was reduced by 5 percent below that in the same period last year. The freight transport volume went down by 2.3 percent.

We successfully continued shifting freight haulage from road to rail and inland navigation. Railroad and inland navigation, using less energy, handled 6 million more tons of goods. The amount of freight transported domestically by rail and inland navigation rose from 76 to 78 percent. It helped improve the transport economy and reduce fuel and energy consumption.

The railway handled 163 million tons of goods. The load capacity increased by 4 percent. It rose especially for bulk goods like building materials and coal. To improve railway capacities, 2,400 container and 580 freight cars, among other things, were put into service. Electric traction came into use on the Glasower Damm-Berlin-Schoenefeld and the Priort-Wustermark sections. FDJ members working on the central youth project, "Electric Traction for Railroad Lines," made their contribution to it. The proportion of transport effected with electric locomotives rose to 28 percent. Advances were made in reducing the turn-around periods for freight cars.

Inland navigation increased its cargo load by making use of the favorable navigation conditions by 16 percent. It thereby exceeded the plan quotas.

The merchant fleet and seaports met their transport and transshipment quotas.

Public road haulage handled 273 million tons of goods. Because of the further shifting of freight haulage from road to rail and the expansion of bulk good transports by way of inland navigation, freight haulage on roads was reduced by 10 percent.

Public transportation conveyed roughly 11 million persons daily. The performance of tracked means of transportation went up. This form of transport was improved in quality.

In the postal and telecommunications sector services increased by 3.8 percent mainly because of the rationalization of operational processes and an improved utilization of existing capacities. The performance plan for postal and telecommunications services was fulfilled at 100.2 percent.

As many as 23,000 new subscribers were connected to the telephone network. The proportion of automatic telephone operations has increased to 96 percent.

Some 90 percent of all television programs came in color. Stereo broadcasts totalled 468 hours per week.

VII. Foreign Trade

Because of the initiative-rich efforts of the working people in the combines, enterprises and foreign trade enterprises, GDR exports rose by 15 percent. The first half year again showed a plus trade balance.

Trade with the USSR and the other fraternal socialist countries forms a decisive foundation for the GDR's social development. Foreign trade turnover with those countries rose by 9 percent.

By its 39-percent share, the USSR is the GDR's largest trade partner. Trade with the USSR increased by 9 percent.

Economic and scientific-technical cooperation with the USSR and the other countries in the socialist community has been reinforced on the basis of the consistent implementation of the GDR-USSR production specialization and cooperation program till 1990, the accords with the other partner countries, and the joint long-term target programs. In all this, the economic intertwining among the countries was increasingly reinforced by their mutual cooperation and the trading in products at top international standards. Further strengthened were the joint efforts for more rapidly applying scientific-technical data in production and improving the qualities of reciprocal shipments. Direct contacts between combines and production associations were expanded for mutual advantage, especially with the USSR. Great opportunities arise for the combines and export enterprises within the scope of the implementation of the foodstuffs and consumer goods program in the USSR.

Highly important to the GDR economy is its participation in the tapping of raw materials and fuels in the USSR. That includes its taking part in building the natural gas pipeline in the Soviet Union.

Trade with the developing countries grew by one-fourth.

Trade with the capitalist industrial countries was further developed in spite of the protracted economic crisis and trade and credit restrictions.

The trade balance with the nonsocialist economic region ended in an export surplus.

VIII. Advances in Living and Cultural Standards

On the basis of the growing potential of the national economy, the cultural and living standards of the people were assured and gradually improved further.

Through the continued implementation of the housing construction program, housing conditions improved for 288,000 citizens, especially in the working class centers. Newly constructed or modernized apartments were handed over primarily to workers, young married couples and large families.

A total of 119,218 children were born in the first 6 months of this year.

Government allocations from social funds for the population came to M 32 billion in the first 6 months of this year, M 800 million more than in the same period last year. Of that, M 5.7 billion were allocated for housing construction and for ensuring stable rents, M 10.1 billion for the maintenance of stable prices of basic goods and charges raised for services, and M 16.2 billion for satisfying the increasing health, social, intellectual and cultural needs of the population. Allocations for kindergartens and nurseries came to M 1 billion and for feeding pupils and children, to M 425 million.

The net monetary incomes of the population grew by M 1.4 billion. The proportion of the working income of production and office workers increased further with respect to overall public earnings. In the centrally managed enterprises controlled by the industrial ministries an average annual bonus of M 834 was paid per production and office worker for 1982.

Retail trade turnover came to M 49.5 billion. Month after month the population was reliably supplied with basic goods. It was possible to maintain and, in part, raise the high provisioning and consumption level.

Volume of supplies in foodstuffs and luxury items in the first half of 1983 as compared with the first half of 1982, in percent:

Meat, meat preparations and sausages	100
Fish and fish preparations	98
Butter	103
Other animal fats	109
Cheese	98

Whole milk	102
Condensed milk	107
Eggs	100
Cocoa and chocolate products	108
Fresh fruit	109
Wine and champagne	108
Spirituous liquores	107
Coffee	105

Industrial combines, closely cooperating with the trade enterprises, have taken many initiatives to make more industrial commodities available. In the first half year, the combines in the centrally and regionally managed industry made available consumer goods at a value of almost M 800 million above the plan for supplying the population. For industrial commodities, the thousand small items, and most of the assortments of spare parts and accessories, supplies were more or less according to plan. Products needed for infants were in stable supply.

Increase in supplies from domestic production and imports during the first 6 months of 1983 over the same period in 1982, by

Radios	29,500 units
Radio recorders	3,600 units
Filament batteries	6.9 million units
Reflex cameras	11,200 units
Thermostatic irons	69,100 units
Electric ranges	8,200 units
Refrigerators	23,400 units
Mopeds	1,900 units
Paints and varnishes	4,900 tons
Detergents	7,500 tons
Boys' outerwear	530,000 units
Girls' outerwear	212,000 units
Towels	1.9 million
Satchels	56,000 units
Leather sports shoes	134,000 pairs
Bicycles	11,500 units
Cement	102,000 tons

Services and repair services for the population were carried out at a total value of M 2.9 billion. That amounts to an increase of M 220 million, or 8 percent. Two-thirds of it was done by the crafts enterprises. Cooperative and private craft enterprises increased their services and repair services for the population by 8.5 percent and the state-owned service enterprises, by 7 percent.

Repairs of, particularly, technical consumer goods increased by 8 percent. Car repairs for the population rose by 9 percent. The population's needs for dry-cleaning were satisfied through fast service.

In public education, the pupils' education and training level was raised further. Material conditions were improved. Newly built were a total of 824 classrooms, 46 school gymnasiums and 10,552 kindergarten places. A kindergarten or nursery spot was found for any child whose parents wanted that.

Polytechnical training at the secondary schools was given ample room. Some 9,500 full-time and 26,200 part-time tutors took care of the pupils from 7th to 10th grade. Further advances were made in drawing 9th and 10th grade pupils directly into the productive efforts of the brigades and departments in industrial, construction and agricultural enterprises.

Vocational training has effectively contributed to the all-round personality development of apprentices and to the economic performance growth. Every graduate finds an apprenticeship or course of study available. More than 87 percent of the pupils going into vocational training graduated from the 10th grade of a general education polytechnical secondary school.

That the apprentices are striving for high achievements in their learning and working and their taking part in coping with science and technology can be seen in particular by their participation in socialist job competition and the MMM and innovator movement. To perfect the material-technical conditions in vocational training, 63 classrooms, 4 gymnasiums and 1,536 places in apprentice hostels were newly set up. One in every 4 apprentices lives in an apprentice hostel.

The training and advanced training of technicians and specialists is aimed, above all, at preparing working people for new economically decisive labor tasks through advanced training measures relevant to practice, saving energy and raw materials, making more of a capacity use of the basic assets, and further improving production qualities.

Universities, colleges and technical schools have raised the level of Marxist-Leninist training and communist education and of the scientific work in study and research. Instruction, in substance, was aimed at providing an optimum ratio between theoretical basic training, theoretical-methodological training, and the acquisition of specialized knowledge.

Research at the universities and colleges has more effectively still been focused on science development and economic performance improvement. Important tasks have been coped with for the development and application of microelectronics and industrial robots within the scope of the science and technology state plan. Division of labor cooperation, especially with the combines, was deepened and made more effective. The advantages of a broad science spectrum of the universities and colleges was made better use of through intensifying interdisciplinary collaboration. Working, study and living conditions at the universities and technical schools were improved.

Medical care and social welfare for the population, including the working people's health protection, have been further perfected. That pertains in particular to basic medical care in big cities and conurbations.

Working mothers and their children got special social care. As many as 5,034 new places were set up in nurseries.

In the out-patient medical area, 107 jobs for medical practitioners and 66 jobs for dentists were newly added. In conformity with territorial requirements and conditions, early, late and Saturday office hours have been expanded in out-patient facilities, mainly in general medicine, pediatrics and stomatology. Industrial medical care for the working people in enterprise health facilities, in which two-thirds of all workers take part, mainly concentrated on dispensary treatment and on supervising labor conditions.

The first-aid system for complex treatment of life threatening conditions has been further expanded and is now in place in 133 kreises.

Advances were made in efficiently using the funds made available to public health.

In lying-in hospitals, 1,200 new beds were put up in the first half of 1983.

Prophylactic and curative treatment was given to 181,000 adults and children. The quality of care provided in the convalescence institutions was improved by making full use of the new sanatorium compound at the official spa of Bad Elster and of the new dormitory in Bad Sulza.

Special care in appropriate facilities was provided for 13,600 psychologically handicapped children and adolescents. In protected workshops and enterprise departments or on individual jobs, further opportunities were found for putting convalescents to work.

To improve living and housing conditions for veterans of labor, 1,490 places were readied in old age and nursing homes and 1,371 places in residential homes for senior citizens.

Physical culture and sports were promoted in every way. Their mass character has been brought to realization more and more in all areas, especially in sports for children and the young and for leisure-time and recreational sports. Remarkable achievements were seen in the contests of the DTSB of the GDR, "Spartacus and Sports Festival Relay 83" and in preparation for the Seventh Athletic and Sports Festival and the Ninth Children and Youth Spartacus Festival of the GDR in Leipzig. More than 4 million citizens took part with many different types of sports in exercises, contests and other forms of athletic life. Children and youths showed great athletic energy, especially during the elimination competitions for the kreis Spartacus festivals. A high point was the Ninth Children and Youth Spartacus Festival in winter sports at Oberwiesenthal and Karl-Marx-Stadt.

In world and European championships, GDR athletes in the first half of 1983 earned 15 gold, 20 silver and 16 bronze medals. The GDR bicycle team won the 36th International Peace Ride on terms of team and individual ratings.

Socialist culture and art have through new works contributed to the enrichment of socialist national culture and the further shaping of the socialist way of life.

Intellectual-cultural life in the first half of 1983 came fully under the auspices of the various tributes to the life and work of Karl Marx. Among significant events of political and intellectual-cultural life on the occasion of the Karl Marx Year 1983 were the festive session of the SED Central Committee commemorating the centenary of the death of the founder of scientific socialism and the international science conference, "Karl Marx and Our Time--The Struggle for Peace and Social Progress," in Berlin. The exhibition at Marstall, dedicated to holding the Marx-Engels forum in the center of Berlin, was highly regarded and led to a broad exchange of views on how to organize the forum.

The "FDJ Whitsun Meeting" in all GDR bezirks, drawing more than 6 million attendants, was the thus far largest demonstration of GDR youth's will to peace. At more than 7,000 events, youth, together with other working people, demonstrated its firm bonds with the socialist state. A high point among the many impressive events was the "Peace Meeting of the Youth of Socialist Countries" in Potsdam.

An expression of the careful preservation and promotion of the people's humanistic and progressive legacy was the festive reopening of the reconstructed Wartburg castle as a great monument of cultural history and a worthy contribution to the tribute paid to Martin Luther in 1983. After the reopening of the houses in Eisleben in which Martin Luther was born and died, and of the official Luther Hall in Wittenberg, the most significant place in which the reformer had worked presented itself in a new garb and with new permanent exhibitions.

The Ninth Writers Congress of the GDR turned into a strong declaration of loyalty by the writers of the GDR to the workers class and its battle-tested Marxist-Leninist party. It attested to the active contribution literature makes to the continued consolidation of the socialist GDR.

Under the motto "World Theater--World Understanding--World Peace," 400 theater producers from 60 countries on all continents took part in the 20th World Congress of the International Theater Institute (ITI) in Berlin. More than a million domestic and foreign guests attended the Ninth Art Exhibit in Dresden, where over 1,500 artists showed approximately 3,000 works, paintings, drawings and sculptures, crafts, decorative arts and industrial arts, caricatures and photographs. This became a cultural high point in our country.

Highly popular were cultural events such as the Thirteenth Political Song Festival, "Rock for Peace," the Seventh Entertainment Performance Show of the GDR, in Magdeburg, the Sixth Dresden Music Festival, the Ninth Music Biennial in Berlin and the children's film festival in Gera. The GDR's choral festival in Eisenach, in which 25 different types of choral groups took part, and the 14th GDR Dance Festival in Rudolstadt attested to the high performance capability of popular art.

Many famous GDR theater groups and orchestras gave guest performances in many countries with success. The German State Opera got high recognition in Paris, Copenhagen and Tokyo, the Berliner Ensemble, in Paris. The Berlin Symphony made successful trips to Spain and Great Britain, the Dresden Staatskapelle, to the United States, the Leipzig Gewandhaus Orchestra, to the FRG.

Chances for sensible leisure-time activities were expanded by expanding youth club facilities and making a better use of cultural institutions.

The trade offered 2,900 new book titles at a total edition of 65 million copies and 10 million records and cassettes, which helped satisfy the growing cultural demands.

The successful balance-sheet for the first half of 1983 attests to the readiness of the working people to contribute through high achievements to the implementation of the policy issued by the 10th SED Congress, which is aimed at the well-being of the people and the safeguarding of peace. Through the further strengthening of the GDR's economic efficiency good prerequisites have been created for the fulfillment and targeted overfulfillment of the 1983 plan tasks and for getting set for the 1984 national economic plan.

The resolute implementation of the economic strategy issued by the 10th SED Congress requires applying all intellectual and material potentials still more effectively to the acceleration of our economic development so as to carry on with success the main task in its unity of economic and social policy even under the conditions of sharper international class conflict. We must ensure a considerable growth of labor productivity and in the efficiency and quality of social labor to guarantee a continuing dynamic growth of our national income. To that end we have to speed up scientific-technical progress and its economic efficacy. The fifth and sixth SED Central Committee sessions and the requirements in the speech by SED Central Committee general secretary Comrade Erich Honecker at the first SED kreis secretaries conference provide us with the necessary guidelines and with valuable experiences.

What matters in the management activity of state and economic organs is to encourage the working people's dedication and creativeness so they will fulfil the tasks in the 1983 national economic plan also throughout the second half year, month by month, week by week, day by day and make good the obligations the working people assumed in their socialist competition. Performance and efficiency reserves are to be tapped by means of performance comparisons between enterprises and institutions, by listening to the suggestions the working people have made on improving our labor organization and their working and living conditions, and by drawing them still more into the management of enterprises, combines and other state-owned facilities.

There are stable prerequisites for our further efforts in safeguarding peace and for the good of the people, so as to completely fulfil the tasks assigned for the successful implementation of the 10th SED Congress resolutions and prepare a national economic plan for 1984 that is aimed at high achievements. Based on what has been accomplished, the working people devote their capacities, with optimism and creativeness, to the all-round strengthening of the socialist GDR.

DISCUSSIONS, CSIKOS-NAGY'S CLOSING SPEECH AT ECONOMISTS' CONFERENCE REVIEWED

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[Text] We have already reported in issues Nos 23 and 24 of our journal the lectures presented at the 22d Congress of Economists held on 21 and 22 June in Dunaujvaros; and in issue No 25, some general conclusions drawn from the debate. On this occasion we are reporting several important parts of the debates within the sections, and the closing address by State Secretary Bela Csikos-Nagy, chairman of the National Material and Price Office and president of the Hungarian Economics Society.

The conferees regarded as timely the fact that the organs cosponsoring the congress had placed on its agenda the questions pertaining to the Hungarian economy's system of organizations and institutions. There was agreement also on that development of the organizational structure could not be separated from the economic mechanism as a whole, but singling it out was warranted because in 1968 there had been no progress in this field coordinated with the other elements of the economic mechanism, and because organizations were developing according to their own laws of motion, a fact that had been disregarded earlier.

The organizations' opportunities to assert their own interests were limited by uncertain elements within the social and political conditions and by functional disorders as well. It would be expedient to investigate how closely our system of organizations was in accord with the interest relations objectively existing within society.

The congress emphasized that development of the system of state institutions was focusing on strengthening the government's operation. A prerequisite for this was, among other things, that objectively existing interests had to surface openly, and the state's mechanism for the reconciliation of interests had to be developed. The socialist state was retaining its economy-organizing function, but it would be a mistake to attribute omnipotence to the state.

Some of the contributors to the debate called attention to the fact that the local councils must not be disregarded when discussing the system of state institutions, because the councils' operation was rather perfunctory from the viewpoint of asserting interests.

Development of the system of institutions was an integral part of developing the socioeconomic relations. This was also the goal of the economic mechanism's comprehensive further development. Some contributors to the debate were of the opinion that the comprehensive development "package" had to be introduced in a single step because otherwise--judging by past experience--there would be greater danger of a "rearrangement," of retreating from the reform or of compromising it. The conferees emphasized, however, that certain economic and social realities had to be taken into consideration that did not permit the "one big step" approach. But it would be a grave mistake to delay further action with reference to realities, because in this case our room for maneuvering could become limited. Therefore further development of the system of macroeconomic management had to be regarded as a continuous process.

Attention was called also to the fact that development of the system of macroeconomic management presupposed formulation of a clear and consistent system of objectives. It was pointed out in the debate that consistency could be only limited and relative because in the economy and at the enterprises it often was necessary to pursue contradictory objectives, for example: to expand export and to increase economic efficiency. For such cases it was necessary to set priorities.

An essential requirement was that economic regulation had to be consistent and lucid, and that not only the direct but also the indirect effects had to be taken into consideration.

It was pointed out in the debate that the enterprises' internal mechanism was also an integral part of the economic mechanism. And since also the enterprise organization had a certain self-motion, it was essential that the enterprises too participate in developing the system of macroeconomic management. In this way it would also be possible to predict more accurately how the enterprises would respond to modifications of the system of conditions for economic activity. Comprehensive development of the system of macroeconomic management presupposed also the development of democracy within the economy; social activity, which could be liberated only in this manner, was indispensable.

Several contributors to the debate emphasized the need to clearly define the competences of enterprise management and state macroeconomic management. Certain legal safeguards also had to be attached to enterprise independence. The fact that the enterprises were maintaining relations essentially with three markets but, as buyers and sellers, had only a very limited choice at present among these markets could curb enterprise independence. The situation was similar with regard to "labeling" enterprise resources. Different return criteria were attached to the various enterprise funds. A flagrant example of this was economization on wages, often at the cost of wasting other resources. According to the contributors to the debate, herein was the cause of the manpower shortage, respectively of the inadequate performance. If enterprise independence was to develop, and if the enterprises were to become entrepreneurial organizations, then these conditions would have to be changed.

Realities compelled the contributors to the debate to say that economic stabilization had to begin with uncovering the internal reserves of the economy and of the enterprises. There already were good examples of this, but the economic mechanism's further development was a prerequisite for the uncovering of reserves to become a permanent process embracing entire society.

In comparison with the period before 1968, the enterprises' freedom of movement and independence had increased, but the situation was still not satisfactory. The state could assume "merely" the task of ensuring equal conditions for modern enterprises, but it was unable to guarantee that each one of them would be successful. Several contributors to the debate pointed out that entrepreneurial freedom was inseparably linked to risk-taking and the assumption of responsibility.

Several of the contributors to the debate referred in this context to the regulation of "neutrality" as outlined in the finance minister's address. Its advantages could be measured in those areas where economic activity was less restricted. From the viewpoint of the external environment, gradual dismantling of these restrictions was one of the key issues in achieving full entrepreneurship.

Many people were inclined to associate entrepreneurship with enterprise size, arguing that the small organization was entrepreneurial, whereas the large organization lacked flexibility. In fact, flexibility or inflexibility depended not on size, but on management, internal organization and the external environment.

Although there was no surefire recipe for the internal organization of an efficient enterprise, some general requirements could nonetheless be formulated: (1) With due consideration for the real conditions, authority must be decentralized so that decisions could be made where the conditions for making them were the most favorable. (2) A suitable incentive system was necessary, meaning thereby not only the regulation of wages but also allocations to the various enterprise funds. (3) Research and development, production, and marketing must not become isolated from one another. For the first time since 1968, organizational problems now have acquired an importance equal to that of the problems of planning and regulation.

Although fairly recent, relatively few in number and employing a relatively small proportion of the total work force, the small enterprises and organizations conducting small-scale production and supplementary economic activity deservedly received much attention at the congress.

During the eventual modification of our system of regulation it will be necessary to solve that general income tax apply not only to income earned in the taxpayer's spare time, but that incomes from various sources be taxed within the framework of a unified system. At the same time it will also be necessary to distinguish between the taxation of enterprise incomes and personal incomes since these are incomes intended for different purposes.

In conjunction with small enterprises, mystification of the legal instruments is causing distortions in economic approach and law. For example, the proposal to modify the enterprise business work partnerships does not contain a well-thought-out economic concept.

It is common knowledge that the activity of these small organizations and their link to the enterprises have not developed according to expectations; in other words, they have not become integral parts of the market as separate legal entities, with the enterprises responsible in the background. The primary reason for this is that an autonomous organization, based on coordinate status and the equality of the partners, is functioning within the framework of a traditional hierarchical structure. Enterprises, entrepreneurs and also certain economists are exerting strong pressure on the legislative organs to simplify the "rules of the game" of enterprise business work partnerships and to adapt the statutory regulations to the present practice; in other words, to declare the conversion of this organizational form into an internal subdivision of the enterprise, ensuring thereby its role as a substitute for overtime and a means of circumventing the regulations governing the use of wage funds. Here it is necessary to modify not the organization, rather the related background--but nonetheless decisive--regulations for whose circumvention the small organization is being used.

Many believe that statutory regulation is not more complicated than necessary. But it is an entirely different question to what extent are the obligations prescribed for the individual organizational forms necessary. It would be worth investigating, for example, the feasibility of abolishing also for business work partnerships official approval of the partnership contract, and of requiring only registration of the partnership, in the same way as in the case of civil-law partnerships. In conjunction with this, of course, it would be necessary to review also the licensing of private artisans. All this would relieve the heavy burden on public administration, the shortcomings in the training of its apparatus, and also its personnel problems.

Among the new organizational forms, the enterprise business work partnerships are the most contradictory, socially as well as economically.

The attitude of enterprise managers varies: they encourage, tolerate or restrict the operation of the enterprise business work partnerships. According to data reflecting the situation at the end of May, for example, there were 130 enterprise business work partnerships at the Danube Iron Works, but not a single one at Raba. Their distribution by megyes likewise differs considerably.

The experience gained from audits indicates that in some areas--in computer technology, planning and designing, and business consulting--prices have fallen significantly as a result of business work partnerships, because supply matches demand.

So far as the future is concerned, these organizations will develop further in two ways: some of them will become more independent, while the rest will integrate. This latter category is the larger one at present.

The enterprise business work partnership is a work organization that bears the characteristics of entrepreneurship as well as of employment. The essential characteristics of this form will have to be reflected also in the statutory regulation of those enterprise business work partnerships that will undergo further integration.

As also international experience indicates, it will be worth while to investigate what role the relatively autonomous work organizations might play in forming the internal structure of large enterprises. When conflicts arise from time to time in the various organizations, not the form in general should be criticized, rather order should be created at the given place, in the specific matter.

External Economic Relations

The congress analyzed the organizational questions of external economic relations from several different points of view: from those of the foreign-trade and the production enterprises, of regulation and macroeconomic management, of the efficiency of working foreign markets, of the intensification of competition, and of improving our ability to compete.

Organizational modernization is proceeding in the right direction also in foreign trade, and meaningful improvement of this activity's efficiency demands further progress.

In this context the congress emphasized the importance of broadening the right to conduct foreign trade. However, acquisition of this right must not be an aim in itself, and even less should it be regarded as a matter of prestige. Independent trading in foreign markets is an instrument of economically substantiated enterprise strategy. Effectiveness of the production enterprises' independent operations in foreign markets depends to a large extent on how this right and independent foreign trading are built into the enterprise's organization, and on how they affect management and business operations. For this very reason it is very sound and desirable to thoroughly prepare for independent foreign-trade activity, among other things by acquiring and exercising this right on an ad hoc basis. It was likewise suggested that organic expansion of the specialized foreign-trade enterprises' activity might likewise be expedient, partially in domestic marketing and eventually also in production.

Incidentally, this topic arose also in another context, when modernization of contractual relations was being considered. Contractual relations between the foreign-trade and the production enterprises likewise have undergone significant modification in recent years. But even within the framework of these new contractual relations the foreign-trade enterprises have been unable to become real partners, and equal partners in terms of risk-sharing, because they lack the resources that this would require. Suitable conditions and resources must be provided to enable these enterprises to be foreign traders not only in name, but in the nature of their activity as well.

In conjunction with the aforementioned requirement the congress emphasized that also the training of cadres had to be modernized. Two proposals were submitted: large numbers of young cadres with higher education should be allowed to work for foreign companies for a certain period of time; and the foreign tours of duty of enterprise representatives and delegates should be lengthened.

Closer cooperation between enterprises is sorely needed also in foreign trade. At home the possibility of parallel export could intensify competition, but competition between Hungarian exporters in foreign markets could be harmful. Besides the coordination of pricing, only greater willingness to cooperate between enterprises can offset this.

In foreign trade the process of organizational modernizations would be incomplete without reinforcing the effectiveness of the Hungarian organizations in foreign markets. It is exceptionally important to modernize Hungarian foreign trade's already existing foreign-market organization, reinforcing its self-supporting and cost-covering nature.

The founding and operation of joint enterprises in Hungary are hampered by the fact that the Hungarian system of reporting, accounting and preparing annual balance sheets cannot be applied to joint ventures based on capital participation and risk-sharing; for the foreign partner the Hungarian balance sheet is unsuitable for publication.

Financial System

The financial system, the institutional and decision-making systems of financing investments, and the organization and financial system of maintaining inventories likewise must be developed further, specifically from the viewpoint of the extent to which they can be perfected, in harmony with economic policy and the system of macroeconomic management. These tasks too can be solved only gradually, in harmony with how the system of conditions develops.

Conflicting views were presented regarding the methods and institutional forms of developing the financial system. According to one view, the financial system's transformation and large-scale decentralization were necessary so that the functions of money could assume a greater role in the economy. And there was also one speaker who urged this only so that competition might develop also in the area of finance. In the opinion of some of the contributors to the debate, an actual multitier banking system should be developed, while in the more realistic opinion of others the separation of the central bank's functions and of the commercial banks' functions would be expedient within the framework of the present banking system. Some speakers favored dismantling the present monopoly also in the area of personal banking services. Several contributors to the debate held similar views regarding the insurance system as well.

In conjunction with investments, debate developed on how to modernize the money supply of the investment process, how to establish the organizational framework for the harmonized perfection of state development-fund grants, permanent capital allocation (stock and bond systems), and state preferences. The conferees urged the separation of the decision-making system and institutional framework for investments in the competitive sphere, from those for investments in the public utility (municipal services) sphere. Several speakers urged employing also in the area of investments the income-centric forms of entrepreneurship, the joint ventures in which risk and profit are commensurate with the capital shares.

The large-scale centralization of depreciation was criticized because at present it did not provide sufficient coverage for financing even simple reproduction. Several speakers were of the opinion that depreciation should not be determined on the basis of central norms, rather the enterprises themselves should determine their own depreciation on the basis of the market's value judgment.

The terms of investment credits are too long, and the new banking system will have to shorten them in order to obtain resources for its operation. By perfecting economic regulation, incentives and methods should be developed that will permit efficient redistribution of productive resources.

Closing Address

The closing address of the Congress was by Dr Bela Csikos-Nagy, state secretary and president of the Hungarian Economics Society. He compared the proceedings of the previous congress last year and the economic development since then. He established that development along the new growth path proved more difficult than we had expected a year ago. The barriers to development stemming from external factors (new price relatives, conditions becoming more rigorous within CEMA, the political provocation paralyzing East-West trade, and the 1982 credit embargo) have to be taken into consideration even if we assume that within CEMA we will be able to conclude bilateral agreements --with the Soviet Union in particular--that are advantageous to both sides, and also that East-West trade relations will undergo normalization.

The barriers can be alleviated through better adjustment, and renewal of the system of macroeconomic management can liberate new domestic energies. Good examples of the advantages stemming from adjustment are the Hungarian-Soviet meat and grain agreement, the new cooperational possibilities stemming from the development of Hungary's ferrous metallurgy, or our accession to international monetary organizations.

The profound lessons of economic policy during the past 25 years are as follows:

--Transformation of the economy's structure and its development along the new growth path cannot be achieved without renewing the system of macroeconomic management;

--Today only the preservation of our international solvency can be our guiding principle.

Emphasizing the importance of the reform measures, the speaker noted that the losses stemming from the new price relatives would have been smaller had we not delayed our adjustment to them. The most important lesson derived from the 1980 corrections in the system of regulation was that the conditions for the solution of the problems confronting us were better if economic policy transmitted real value relations to the enterprises and did not conceal from them the conditions under which Hungarian society was participating in the international division of labor. Introduction of the competitive price system brought with it this new approach. No other government measure has

received so much criticism as the new price system, but the new approach was its indisputable advantage.

One of the most frequent critical comments was why were we applying the capitalist world-market prices (in fact, we were not applying exactly these prices) to sources of energy when we were not importing sources of energy from the capitalist world market, or at least not in significant quantities, but were importing sources of energy from the Soviet Union. Economic calculations were based on marginal value, and investment decision had to be made not on the basis of the present price, but of the price that would have to be paid for the additional output.

The price system was being criticized frequently also because it contained too many exceptions. That was undeniably true, but the equilibrium price from which the exceptions departed was not indifferent. It was not all the same whether the production cost was recognized regardless of its amount, or whether observation of the world-market price was mandatory but temporary exceptions from it were granted, upon the assumption of certain obligations. The mode of approach was the basic difference, the speaker emphasized; the enterprises were compelled to use an international yardstick to measure their own situation.

Another frequently voiced criticism was that we were merely simulating the competitive price system and were not allowing the market to function spontaneously. When answering this question, one must not forget that price policy accepted an important role during the past 25 years, particularly within industry, in developing a progressive model of management. We have now reached the point where the risk of every further step was greater than the risk of all the steps up to now had been. Especially if this price system was viewed jointly with a modern wage system. As one of the requirements that the wage system had to meet we specified--with complete consensus among economists--that different taxation of the wage fund and of the wage increase had to cease.

If we removed these so-called irrational elements that were in the price system as a result of simulation, and in the wage system because of the two different methods of taxation, but at the same time did not create a situation in which stable price and wage equilibrium could be maintained, then this could again trigger a new type of irrationality, a price and wage spiral, an uncontrollable process of inflation. Further steps were necessary, but the decision-makers' responsibility was very great, and those further steps would have to be made after very careful preparation.

The society's president proposed placing on the agenda of the 1984 congress three topics in addition to, or in conjunction with the price system and wage system:

--Planning the efficient allocation of economic growth (the ratio of consumption to accumulation; capital allocation);

--The questions that pertain to the system of regulation and stem from the limited convertible foreign exchange available (import administration;

fiscal policy and credit policy; the feasible and the necessary forms of international cooperation);

--The questions of living-standard policy and efficiency (value-commensurate prices; wages commensurate with performance, and expedient coordination of social policy).

1014

CSO: 2500/338

PRODUCER GOODS DISTRIBUTION SYSTEM EVADES, UNDERMINES REFORM

Warsaw GOSPODARKA MATERIALOWA in Polish No 10, May 83 pp 265-269

[Article by Cz. S.: "Implementing Economic Reform in Materials Supply System"]

[Text] The beginning and the process of implementation of reform in 1982 proceeded in immensely difficult and complicated sociopolitical and economic conditions. Situation of considerable imbalance on the market of means of production resulted in an impossibility of a full utilization of all those solutions of the reform's mechanisms that found their formulation in "Directions of Economic Reform," as well as in the final document of studies of the Commission's Unit VII. Shortage of basic raw and other materials, as well as fuels, particularly liquid and gaseous ones, affected negatively reform's overall solutions, and this required application of interim solutions that in most cases can be characterized as immediate administrative tools. Such solutions were foreseen in the reform's premises, while Unit VII has worked out their definition in the final document in the form of a separate chapter. The proposed solutions were subsequently formulated in the formal decisions represented by the Council of Ministers' resolution no 243, dated 30 November 1981. Thus, one can conclude that the expression of reform's solutions for the interim period in the area of supplies is contained in the above mentioned resolution.

State of Equilibrium on Means of Production Market

The efficiency of work of the reform's mechanisms depends to a significant degree on the state of equilibrium on the market of means of production. Deep production crisis in 1981, as well as lack of visible growth in many groups of raw and other materials in 1982, drastic limiting of the supply imports from the second payment area were substantially influencing functioning of the national economy as a whole, including the supply processes. The figures for 1982 concerning production of raw and other materials as well as of fuels and their deliveries to satisfy the needs of national economy widely varied. Significant changes also occurred during that year. This is also true of imports. This situation resulted in rising of disproportions in the degree of meeting the material needs of basic raw and other materials, and this in turn had negative influence on the state of completeness of the deliveries of materials and the degree of the fulfillment of [planned] production assortmentwise in the manufacturing sectors of industry.

Imports from the second payment area were in 1982 lower by almost a half compared with 1980. Production of many raw and other materials that are of fundamental importance for the national economy was considerably lower than in 1980. The increase in production of raw and other materials which occurred in 1982 in comparison with 1981 varied as regards volume, and it still did not include many groups of materials. This is illustrated by the figures presented in the table.

Drastic discrepancies between the targets of plan for 1982 and [actual] deliveries of materials have also occurred. All these phenomena negatively affected the efficiency of the supply processes. Quite often supply shortages prompted negative opinions about the correctness of the accepted systematic solutions. Naturally, it is difficult in many cases to ascertain what is a result of the shortage of materials and what is a consequence of systematic solutions. It seems, however, that the changes that were introduced in the supply system tended to help the implementation of real processes, rather than to disorganize them. They were the consequence of general changes in the organizational structures of the national economy.

Table.

No.	Raw & other materials	Measure	Production	Indexes in %	
			in 1982	1981=100	1980=100
1	Hard coal	million tons	189.3	116.1	94.4
2	Brown coal	--	37.6	105.7	96.6
3	Natural gas	million m ³	5,533.0	89.7	97.5
4	Refined oil	million tons	14.4	98.5	84.2
5	Electric energy	billion kwh	117.6	102.2	94.4
6	Rolled products	million tons	10.5	94.7	81.6
7	Electrolytic copper	thousand tons	348.0	106.4	91.6
8	Aluminum	thousand tons	42.7	64.7	69.4
9	Lead	thousand tons	78.8	114.0	84.1
10	Zinc	thousand tons	165.4	98.9	76.8
11	Plastics	thousand tons	438.5	92.1	86.7
12	Artificial fibers	thousand tons	201.1	98.2	79.8
13	Cement	million tons	16.0	112.7	77.2
14	Sawn wood (total)	thousand m ²	6,020.0	93.0	87.2
15	Chipboards	thousand m ²	942.2	104.2	96.1
16	Paper	thousand tons	964.3	106.2	88.0

In the process of defining basic solutions of the supply system, Unit VII has presented the following aims of that system in its final document:

- 1) meeting the material needs of the receivers at a specified time and in a specified quantity, while at the same time lowering the cost of the flow of material means in the national economy and keeping the stocks at a rational level,
- 2) realization of the general economic preferences in the process of allotting the material resources, particularly the deficit ones, while taking into account the criteria of effectiveness of their utilization,

3) efficacious influencing increase in the efficiency of work of the enterprises belonging to the sphere of material production, this should be expressed in decreasing materials intensiveness and stocks intensiveness of production, as well as in a better utilization of the remaining production factors, that is, capital goods and employment.

It is understandable that those [aims] could not be fully realized in view of the material conditions that were presented above, as well as of the predominance of interim solutions which, as the state of equilibrium is being restored, should be gradually eliminated and replaced with the solutions that are stipulated as the final ones.

Balancing of Materials

Stable functioning of the supply processes, particularly of the supplies of raw and other materials of fundamental importance for national economy, depends to a considerable degree on the plan's horizon and on lengthening the period for which central material balances are prepared and the destination of the material resources is decided upon. The year of 1982 was characterized by a shortened plan's horizon as well as by a lack of a comparatively stable 1-year plan. This was a consequence of a high degree of uncertainty concerning the development of economic processes.

Also the central material balances for 1982, given little certainty regarding its incomes' side (production, imports), did not constitute a sufficient basis for steering the supply processes. Last year, new role of central material balances was slowly taking shape. An information barrier, as well as lack of a consistent approach toward the formulation of the balances' priorities are responsible for the balances' expenses side not yet being fully rebuilt into a subject (economic) arrangement. Continuation of the division into specified tasks on the expenses side leads often to erroneous linkage with an appropriate arrangement according to addressees and it constitutes a kind of checklist. This limits the effectiveness of solutions accepted in the reform's premises, which stipulate distribution of materials along the principle of subjects, according to the preferred kinds of goods, not organizational units. Balance still do not sufficiently fulfill the role of instruments that balance supply and demand, as well as of a foundation of influencing effective materials utilization. Nomenclature of central balances has been expanded from 88 items in 1982 to over 180 items in 1983. This phenomenon cannot be judged negatively, although the process of balancing itself requires further substantial improvements, which were pointed out in the final document of Unit VII and which are still valid. In this respect there is an urgent need:

--of a consistent switch to a subject (economic) arrangement in the balances' expenses side in order to prevent it from being an excuse for distribution according to addresses,

--of creating an autonomous and broad information center working for the needs of central balancing that would permit a realistic evaluation of the supply of and demand for materials,

--of working out a comparatively lasting nomenclature of central balances which are mutually interrelated on the basis of intersector and interproduct ties,

--of preparing methods and ways of real utilization of balances for matching supply with demand, thus influencing supply and use of materials.

Priorities in Supply System

Establishing priorities under the conditions of a deep breakdown of equilibrium was an indispensable element of the economic policy and the program that are designed to pull us out of our crisis. It has also found its place in the solutions of the reform of the supply system for the interim period. Production targets that were formulated in the operational programs for 1982 were partially realized. Although, an excessive expansion of the quantity of operational programs and of their subject scope was bound to result in an incomplete meeting of the material needs. At the same time, in the process of implementing the economic tasks for 1982 a number of further priority targets were established. Such a situation could not continue, and this was pointed out by the Unit VII in its successive opinions.

Substantial changes were made in the solutions for 1983 in this respect, which, it seems, should limit or eliminate those negative experiences. We have in mind particularly singling out of the two spheres:

- 1) a sphere of guaranteed deliveries of supplies (within the list of allotted articles) which covers operational programs (6 programs), government orders, defense and security of the country, employment of the handicapped,
- 2) a sphere of priority in receiving supplies which contains also several targets.

The most important is to consistently observe the scope of the established priority targets. The prospects for 1982 indicate that the scope of priority targets should continue to become more limited, while its forms should be modified, for instance, by giving up operational programs.

Central Steering of Supply Processes

Both the reform's solutions and proposals of Unit VII stipulated a wide range of steering tools used to guide the supply processes, economic and direct in their nature. The utilization of these tools under the conditions prevailing in 1982 was insufficient. The central level concentrated its attention mainly on direct instruments. Within the range of possibilities entailed by them they were applied to [steer]: distribution of materials, limiting the use of fuels and energy, as well as a monopoly of trade.

The mode of distribution was substantially changed, although the process of changes in this area progressed slowly, there remained a visible tendency to keep the supply prerogatives within the powers of the branch-sector ministries. In many instances those ministries, under new conditions, engaged in the process

of distribution. The subject range of distribution included 16 groups of basic raw and other materials, which according to estimates comprised about 25-30 percent of the material supplies' total.

The following phenomena in functioning of distribution system should be stressed:

- 1) quite late switch by the individual units to the changed mode of distribution; out of 17 units that were included in an analysis*, 4 units applied new principles during I quarter, 2 units during II quarter, 10 units during III quarter, while one unit (Central Office of Coal Sales) only in IV quarter,
- 2) short allotment horizon, mainly quarterly, which in view of the high degree of uncertainty can be considered to be justified; however, there were negative effects on the receiver that resulted from this,
- 3) fulfillment in most cases of the functions that were assigned to them by the supervisory teams; experience, however, has led to a modification of their composition for 1983,
- 4) complicated and diversified nature of the organization of distribution along the territorial divisions, which is an object of sharp criticism by the receivers,
- 5) insufficient degree of synchronization of the allotments' assortment completeness; activities of the center turned out to be insufficient in this respect,
- 6) the degree to which the deliveries corresponded to allotments varied considerably last year; lack of reserves in the balance, reduced imports, failure to implement earlier production plans, all these phenomena affected an incomplete realization of allotments, the natural consequence of which had to be a negative evaluation of the whole allotment process as viewed by the receivers.

The scope and mode of the allotment system that was in force in 1982 have been extended for 1983. This does not seem to be justified as far as the subject scope of allotment system is concerned. Several assortment groups should be removed from the list of allotted articles. There is a further tendency to centralize certain functions, the example of which is inclusion into the process of distribution and central management of materials of the Ministry of Construction and Construction Materials Industry, evidenced by order no 31 dated 31 December 1982, of the ministers of construction and materials industry. In addition, also other branch-sector ministries were included into the process of distribution through various agencies, for instance, [ministries of] Transport, Mining and Power, Agriculture and Food Economy.

Exclusive control of trade, as a tool of central steering of the supply system, was intended to strengthen and streamline an effective allocation of material resources. At the beginning that exclusiveness applied to distributed articles

*Such an analysis has been conducted by the Institute of Material Economy.

and several others, it covered 19 units. Subsequently, it was expanded to include successive units. The scope of exclusiveness for 1983 comprises already 29 trade organizations, while the number of articles [includes] some tenths of items. It is being estimated that this amounts to at least 40 percent of the total supply. This form of central steering of the supply system has its positive sides, although its excessive expansion creates very dangerous phenomena:

--it strengthens the monopolistic position of intermediaries and producers, especially when the intermediary is a member of the obligatory association of producers,

--it cuts off the receivers from direct contacts and agreements with suppliers (producers),

--it creates a comfortable, and in many instances dominating, position on the market of organizations that are monopolists in trade; the existence of these intermediaries is free of rigors of economic independence--efforts directed at finding suppliers and receivers.

The above mentioned phenomena require a deeper assessment and corrective activities when viewed from the perspective of 1984.

Economic Instruments for Steering of Supply Processes

Because the equilibrium remained dependent on [a number of conditions], the utilization of economic steering instruments for guiding the supply processes under the conditions prevailing in 1982 was negligible. The main problem remained the same--the possibility of acquiring materials, and not the level of prices or lack of financial resources.

The excessive expansion of the range of regulated prices in the supply trade [that is stipulated] for 1983 creates more negative phenomena, than positive ones. It is apparent that the trends of conventional prices in supply trade were read in too much of a hurry and incorrectly. Expansion of the range of regulated prices practically took place on the basis of the results of the first quarter of 1982, when the processes of price changes and adjustment to new conditions were by no means completed. Enterprises did not have yet any experience concerning the functioning of reform's mechanisms, particularly concerning income tax. It seems that those mechanisms would positively influence the level of conventional prices. Expansion of the range of regulated prices may beget a phenomenon of flight from the production of supply products that are in high demand, and thus it will negatively affect the possibilities of a purchase.

The system of markups has not been either in wider use in steering the supply processes. Their high level has permitted the trade organizations to gain high profits, which, however, were to a considerable degree taken over by the budget as an income tax.

It can be stated that utilization of the economic instruments of steering the supply processes remains still [a challenge].

Legal Regulation of Supply Processes

Conventional relationships play a decisive role in the functioning of the supply system. Those relationships, according to the reform's premises and the proposals of Unit VII, were to play a fundamental role as a regulator of relationships between the suppliers and the receivers. So far the conventional system does function satisfactorily. The following are basic negative phenomena:

- 1) the suppliers avoid committing themselves in long-time conventional relationships, which results from the fact that it is easy to sell their products and a high degree of uncertainty on the supply's side,
- 2) also the short-time agreements--orders--are frequently not confirmed, although they provide the basis for the realization of deliveries,
- 3) new legal regulation of the conventional relationships and its adjustment to the solutions of the reform came about quite late, only at the end of the fourth quarter of last year.

New regulation of the conventional relationships between socialized enterprises, contained in resolution no 207 of the Council of Ministers, dated 27 September 1982 (MONITOR POLSKI, no 26, item 235), removes contradictions between the previous regulation and the reform's legal decisions, particularly [conflicts] with the law on state enterprises. Regulations of the conventional relationships, which previously often had obligatory character, now have facultative character. Comprehensive regulation of conventional relationships within the context of the overall supply ties, however, requires some further solutions.

Legal regulation of the processes of supply trade, as well as of the material management, has not been legally adjusted to the solutions of the reform. Draft laws on the goods trade, as well as on the material economy are in the process of arduous studies and consultations. Their approval seems to be far away. In addition, still in force are many laws related to material economy and trade (including orders directed to the nonsocialized sector), which had been issued at the time of functioning of the orders-distribution system. One can maintain, therefore, that the sphere of supply trade and material management requires further developments in the area of new legal regulation that is fully adapted to the solutions of the reform.

Organization of Supply Processes

Organization and performance of the supply processes were a resultant of the many phenomena that had been already mentioned earlier. Organization of the supply apparatus in 1982 has been in a process of intensive changes. Those changes have found their expression in:

- 1) abolishing intermediary levels of management, which were represented by boards of many a trade central administration; this matter has been essentially completed,

2) founding of associations seen as units that fulfill service functions for the associated enterprises,

3) in several cases, on the basis of abolished boards of central administrations and associations, independent enterprises were created.

Negative phenomena have appeared in the organization of the supply apparatus, which may negatively effect further performance of the reform and become a threat to it. The following negative phenomena merit being pointed out:

1) part of the trade enterprises has been included in the obligatory association of producers, which markedly strengthens the monopolistic position of producers on the supply market, it is true, for instance, of Centrostal, CHMN, Central Administration of Binding Building Materials, and several others; at the same time, an obligatory association of construction materials trade enterprises Centrobud was set up, an organization functioning as a monopoly,

2) majority of the supply trade enterprises retained their membership in the branch-sector ministries; in this respect the decisions of "Directions of the Economic Reform" have not been realized, neither were the proposals of the Commission's Unit VII realized,

3) associations of trade enterprises follow branch divisions that have been shaped so far; initiatives are still lacking aiming at founding associations which would realize particular goals, for instance, regional ones devoted to coordinate the supply system of small receivers, to develop services, to work as a joint transport service organization, etc.,

4) functioning of the trade enterprises, particularly those holding monopolistic position in trade, is still characterized by many negative phenomena that had been known already earlier but were not removed, or even became more acute, for instance:

--lack of independent evaluation of the material needs of receivers, particularly negligible amount of prognostic work,

--small number of services rendered for the benefit of receivers, or even their vanishing,

--outmoded ways of cooperation with the receivers.

The above-mentioned negative phenomena in the organization of the supply apparatus, with a parallel process of taking over of the distributing functions by central administrations of the branch-sector ministries, create a real threat for the reform's decisions as a whole, they enhance ministries' partisan interests and strengthen producers' monopolistic position. Lack of any counter-measures to combat those phenomena, or even their legal sanctioning, constitute highly negative, erosive processes regarding basic reform's decisions.

Position of Receiver

For the functioning of supply processes viewed in its totality the position of receiver, the level of satisfying his material needs, is of basic importance. The efficiency of supply system should be evaluated from this point of view.

On the basis of conducted research, observation of various facts, as well as direct opinions of enterprises-receivers, we can distinguish the following elements of evaluation of the supply system:

- 1) high degree of uncertainty regarding the amount of allotments, their materialization, as well as the degree of their fulfillment,
- 2) position of small receivers under the conditions of 1982 was particularly unfavorable; receivers with established names were in better situation because they had an access to the producers,
- 3) the level of meeting the needs of even those enterprises that were entitled to priority deliveries (including the so-called guaranteed supplies) varied considerably, in the majority of cases it was insufficient,
- 4) the efficiency and operativeness of functioning of the trade enterprises is being judged by the receivers as low, hence an increasing share of secondary supply trade, which in many cases is their only salvation in the fulfillment of the planned production targets,
- 5) judgments of the distribution system that is now in force are divided, but at least half of the analyzed enterprises judge it positively, while only a fourth of enterprises gave it negative ratings,
- 6) majority of receivers view negatively the fact of expanded number of obligatory intermediaries, because this constitutes a formidable barrier in their direct contacts with producers.

Lack of definitive data on reserves prevents us from taking a look at the efficiency of supply processes along the lines of the level and structure of such processes. Nevertheless, some phenomena should be noted:

--the stocks of coal and some other articles have been replenished,

--distinctive disproportions and incompleteness are the characteristic features of stocks, this complicates the performance of the supply processes on one side, and leads to a high general level of stocks on the other side,

--general level of material stocks according to their value is high in relation to the volume of their use; the reform's mechanisms do not have a direct influence in this case.

One more quite significant phenomenon in the organization of supply processes should be also noted. Thus, majority of the associations of production enterprises considers as one of their basic functions to be the problems of supply,

particularly joint representation in various interventions, distribution of materials, etc. It appears that one of the main motives that prompted the production enterprises to join the associations were their problems related to supplies. In their view, it is a good thing to have one more string that one should pull in the process of negotiating higher allotments or deliveries, etc. The problem of implementation of this function by the producers' associations requires, however, more detailed studies.

Role of Center in Organizing Supply Processes

State of serious disequilibrium on the means [of production] market has led to a situation in which organs of the center had to engage themselves in the supply problems in a broad and operative way. Last year was a period of gradual changes and adjustment of the functions of the organs of center to the reform's solutions. The following phenomena merit our particular attention:

- 1) the problems of balancing have undergone changes consisting in the engagement in this kind of work also by the Materials Industry Administration; the scope of the prepared central material balances was divided between the Planning Commission and Materials Industry Administration,
- 2) methodological and coordinating functions of the supply processes, particularly concerning articles that are subject to allotment and are covered by the system of exclusive trade, were in a broad sense the responsibility of the Materials Industry Administration; for this purpose a special department in charge of coordinating of supplies has been set up,
- 3) until now functions of the branch ministries in the area of supplies have not been fully defined (in spite of the formal statutory clauses), the same applies to the problems of material management; some ministries, what has been pointed out above, were included into the process of distribution and central coordination of supplies; this kind of solution has not been stipulated in the reform's documents and defies its basic decisions,
- 4) central level has utilized mainly direct tools in guiding the supply processes; we have pointed out this fact previously,
- 5) pressure of current problems related with the coordination of supply seems to indicate that other functions of center's organs, particularly in the area of effective use of materials, were not fully realized.

Sector-branch ministries concentrated their attention more on how to divide (materials, foreign exchange) than how to secure conditions for attaining planned production volumes of raw materials and other materials.

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Being aware of the evaluation of the implementation process of the reform of supply system [one should conclude] that it behooves to commence at the earliest time to work on readying proposals of changes and corrections in the supply system for 1984-85. It should eliminate those interim solutions that are

not indispensable and bring the system's solutions closer to the reform's target shape.

A separate analysis should be also devoted to the evaluation of influence of the reform's mechanisms on the effectiveness of utilization of material resources on the basis of economic results in 1982, as well as of the hypothetical operation of changes that have been introduced for 1983.

9644

CSO: 2600/1013

IMPACT OF FUELS SHORTAGE SURVEYED

Situation Highlights

Warsaw POLITYKA in Polish No 29, 16 Jul 83 p 4

[Article by (WM)]

[Text] According to reports from recent weeks, in Walbrzych and Rzeszow, mechanized street cleaning has been halted and waste removal has been cut back. In the Suwalki Voivodship, the PGKiM [expansion unknown] in Pisz has stopped providing municipal services in Pisz, Ruciany-Nida, Orzysz, Biala Piska and Mikolajki; only breakdown gang vehicles have been kept in service. Decisions to reduce the fuel allotment for institutions by 15 percent have resulted in the Ostroleka Voivodship, for example, in a standstill in transport for the Fish Center in Ostrow Mazowiecki and they have stopped the transporting of children to some joint gmina [parish] schools and the transfer of products in the meat industry.

The Ministry of Agriculture estimates that 80 percent of the need is being filled by the allotments that have been received, including needs related to battling the potato beetle. There are many disruptions in the trade activity of the Peasant Mutual Aid [S Ch]. There is a shortage of gasoline for inseminators, veterinarians, local doctors and mail carriers. In the Ciechanow Voivodship, the fuel shortage threatens to immobilize the harvesting breakdown gang and service transport. In the Pila Voivodship, the shortage of fuels used to repair power failures may cause severe shortages in the supply of electrical power during harvesting. The reduced allocation of ethyl gasoline in the Leszno Voivodship is causing serious procurement problems and is reducing the management efficiency of PGR [State Farms], SKR [expansion unknown] and RSP [Agricultural Producers Cooperatives], as well as the farm yield procurement apparatus. In many domestic meat industry plants, breweries and fodder and fruit-vegetable industry plants, some of the means of transport already have been removed from service. For these same reasons, the District State Forest Boards are cutting back on their campaigns to battle forest destruction.

In the Suwalki Voivodship, vehicles are idle at several construction enterprises. The Kwidzyn Cellulose and Paper Plant has warned that production will come to a halt if it does not receive 300 tons of boiler fuel oil immediately.

In the Tarnow Voivodship, the engine fuel shortage has immobilized plant transport in such places as the Refrigeration Equipment Plant.

The Ministry of Construction reports that the reduction in allotments of mazout from 29,000 tons to 15,000 tons threatens to halt production at the MALOGOSZCZ and NOWINY Cement Works and at the KUJAWY Cement-Limestone Works.

During the second quarter, the Rzeszow Hospital Transport Unit was short of about 10 tons of fuel. On 23 June, a fuel oil shortage of 60 tons caused the Koszalin PKS [State Motor Transport] to suspend goods transfer in order to ensure passenger transport. In June, the Lomza Chipboard Panel Plant was threatened with a production halt when workers had no way of getting to their jobs.

In May in the Wroclaw Voivodship, the Vehicle Management Inspectorate made a check. More than 46 percent of the motor vehicles inspected were in poor technical condition; the odometers were either inefficient or not authenticated; waybills were not filled out or entries were falsified. Checks done in ten organizational units revealed numerous cases of the wasting of fuel and shocking irregularities.

Finally, the close the vicious circle: /due to the insufficient and sporadic deliveries of raw materials, many plants are forced to send out vehicles to pick up small quantities of these raw materials. This results in excessive transport costs and adds to the inefficient use of liquid fuels./ [in boldface]

Gas Profiteering

Warsaw POLITYKA in Polish No 29, 16 Jul 83 p 4

[Article by Marek Henzler]

[Text] Despite what the average compact car owner thinks, the total fuel balance is not affected greatly by such manipulative measures as the falsifying of gasoline coupons, cheating to obtain extra allotments, illegal trading in extra PZU [State Insurance Bureau] vouchers, failing to have them stamped by agents and the like. While this is an important issue, it is marginal to the issues that emanate from the need for state control of gasoline. It is punishable by law, but it is still a "minor detail." The "wholesale" trade is much more sinister and is conducted on a much broader scale.

For several years the interest of those perpetrating crimes against the economy has been growing with regard to liquid fuels. Formerly this consisted of the "saving" of surplus fuel by drivers who would falsify waybills, for example. Having an excess of a ton-kilometer, a driver would make a deal with a gas station attendant, from whom he would buy bills instead of fuel. When these bills were figured up at the plant, he would pocket the money. The gas station agent would sell the fuel "saved" at the station to other customers. The losses incurred in such individual cases ran from several hundred zlotys up to several million zlotys.

This lasted more or less until 1980, when it became no longer necessary to document a fuel purchase. Since that time, the drivers of official vehicles have had their mileage in kilometers totaled and they have been reimbursed for fuel based on their purchase receipts. There are no longer any surpluses at gas stations due to this. Thus, the attendants have turned their efforts toward surpluses in the fuel storehouses from whom they receive their deliveries directly.

In the opinion of Lt Col Franciszek Pawlowski and Lt Col Zenon Bok from Chief MO [Citizens' Militia] Headquarters, for several years the most serious cases have been those connected with fuel storehouses and CPN [Petroleum Products Center] stations. The fuel turnover here runs in the millions of liters, with hundreds of tons making their way into illegal trade. There is the suspicion that several percent of the domestic fuel balance is found here.

Last year alone the MO conducted 28 serious cases in fuel storehouses, i.e., cases where the value of the fuel taken is more than 600,000 zlotys. One of the biggest cases of this type that has been ruled on is a case from Mosciska near Warsaw. This is the end of the pipeline from Plock; from here the gasoline that goes directly into storage tanks was removed illegally. It was proved that 62 people stole fuel valued at approximately 22 million zlotys (in old prices).

The Mosciska case, however, did not stop people from repeating such crimes. Other instances were discovered: in storehouses in Koluszki, Torun, Nowa Wies Wielka near Bydgoszcz, Dzialdowo and Miedzyrzecz as well as in storehouse no 13 in Plock. Of the 37 people employed in this warehouse, 32 already have been arrested. The hearing still in progress has revealed that fuel and oil valued at approximately 26 million zlotys have been seized. At least 600 tons of fuel and more than 20 tons of fuel oil have passed illegally through this one warehouse. What's more, crude is being stolen before it even reaches the warehouse. Such is the case in Malaszewicze, for example, when the crude tanks just exceed the top limit. There is also reason to believe that the fuel storehouses are not the first stage at which fuel is siphoned off and dealt in illegally.

While the illegal fuel does not come in from the outside, there are still many ways of getting it within the storehouse itself. Improper conversion factors are used or they are falsified when fuel is drawn into tanks from the PKP [Polish State Railroads]. The PKP measures fuel in kilograms and upon receipt the storehouses convert them into liters. Taking advantage of the phenomenon of liquid expansion with an increase in the surrounding temperature, one gains tremendous surpluses. For years it has been impossible to convince the PKP to measure the fuel it transports in liters.

The fictionalizing of accident records is common, e.g., reports of alleged leakage from tanks or exaggerating the amount of leaks when they do occur. Mixing cheaper with more expensive products is another method, used in Plock as well. Ethyl 94 is sold illegally to agents. It is replaced in storage tanks with ethyl 78, which is replaced by fuel oil, which is replaced by motor oil... The motor oil is replaced by recycled oil to which nothing else but water can be added.

Warehouse employees also make arrangements with gas station employees on large transport bases. Drivers add on to their actual routes and in this way save the excess. When it is considerable, the transport base receives only a record of the next delivery, and the fuel finds its way to the gasoline station. The fifth (and not the final) method is to manipulate the rate-of-flow meters.

Throughout the country, illegal profits are distributed in the same way for all these cases. The person that brings the fuel to the station receives half and the agent receives the other half. Then, as a rule, the former divides his share with collaborators at the warehouse, usually with the manager, the storekeeper, the filler and the gate porter. The agent takes all of his share. At most he incurs added costs to pay an employee from the District Weights and Measures Office to legalize his equipment for measuring the gas flow and occasionally to turn back the numerical indicator by the thousands of liters requested by the agent (charging him from 1 zlot to 1.5 zlotys per liter). Then the agent has no problem selling the gas illegally without fear that a surprise check will show that his storage tank receptacle holds more fuel than the station's papers claim.

The groups that siphon off gas are very thick and have all the marks of criminal gangs. Their roles and responsibilities are divided up and they have tried to infiltrate control and militia organs. It is very difficult to break them up--it requires an arduous effort by the militia and employees of the CPN inspection and control section--and can take years. Several years ago, one had only to compare the original and the copy of the bill presented to a driver and it was already clear whether a driver had appropriated the excess and transferred it to an agent to be liquidated. Now one must decipher entire systems and structures of mutual transactions. Is there some way to remedy this situation?

Lt Col Fr[anciszek] Pawlowski said: "We are working on it, but with such great client pressure on station attendants, when they are offered 50 to 60 zlotys per liter of illegal gas, it is no wonder that this type of crime has increased."

Table 1. Crude Oil and Liquid Fuel Balance in Millions of Tons

<u>Item</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983 (projected)</u>
Crude Oil (imported and domestic)	17.0	17.1	15.8	13.8	13.3	13.5
Gasoline (produced domestically and imported)	3.7	3.6	3.6	3.2	2.9	2.9
Fuel Oil (produced domestically and imported)	6.6	6.6	6.7	5.8	5.4	5.5
Furnace Oil (produced domestically and imported)	4.6	4.7	4.3	3.5	3.3	3.0

Rationing System Problems

Warsaw POLITYKA in Polish No 29, 16 Jul 83, p 5

[Article by Wojciech Markiewicz; material enclosed between slantlines in italics]

[Text] It is the last day of June. The scene is the third floor of the Main Inspectorate for Energy Management [GIGE] on Krucza Street in Warsaw. Things are in an uproar just outside room 302, where one gets permission slips for extra gasoline.

/--I have a note here from the KZ [Plant Committee] secretary--/ a tall fellow stops one of the directors in the corridor. The director reads the note and says:

--But it is crossed out.

/--Does that mean that I cannot get it?--/

--You cannot.

Another man accosts the director, /--I am from the MSZ [Ministry of Foreign Affairs]--/. He wears a gray suit and glasses. He waits a moment and says: /--I am from director D. and I have a second letter from N., who is a friend of D. and also a director in the MSZ./

--Please leave an application with the secretary and come back tomorrow.

Yet a third dialogue is heard in room 302:

/--Director, the representative center in Klarysew--/ a man in a leather jacket presents a letter--/it is a large area.../

--Is 80 enough?

--/Thank you very much./

--What is this other item? No, I cannot give you this much--60.

/--Okay. Thank you/--and as he leaves:--/Whenever you are on your way to Moscow, stop in. Goodbye./

Director Lech Tarnawa apologizes for the interruptions in our conversation, but GIGE is undergoing a stormy and stressful period. What can we do but bear up. Everyone knows that we are having problems with gasoline. First of all, we have less crude oil; we are short 3 million tons in the balance. We purchased this amount from the second payments area [capitalist countries] when we still had the money to pay for it. Imports from the USSR have also dropped slightly--from 13.4 million tons in 1978 to 12.7 million tons at present. Another issue: the designation of crude oil has changed. For example, more commercial gasoline is produced from it, primarily pyrolitic gasolines and less engine gasoline. There is also a shortage of furnace oil (for cement works, the metallurgical and power industries as well as glass works). This impacts on cement and steel production and the like.

The shortages are the most obvious, however, on the consumer market, in transport. If, for example, in 1978 the socialized economy used more than 2 million tons of motor fuel, in 1980 it used 1.8 million tons and (according to the plan) will now use only 1.3 million tons. The consumer market of private motorists respectively used 1.2 million and 1.8 million tons and will use

1.6 million tons according to the plan. All of this is happening in a situation where private cars are increasing at a rate of 200,000 vehicles per year.

If we wish to ensure these vehicles the standard fuel consumption--1 ton per vehicle per year--we must guarantee a yearly production increase in the range of 200,000 tons. According to this standard, we would have to sell 2.2 million tons this year; our motor fuel production is 1.6 million tons. Given current crude deliveries, that is all our refineries can produce.

Director Tarnawa maintains: /--We are economizing very well, but we can only distribute what we have available./

Thus, when first quarter 1983 fuel consumption was totaled and it was learned that 420,000 tons of gasoline had been sold, it was decided to make additional cuts. In May the sale was restricted to those with special licenses, and beginning 1 July, state control was increased. The purpose of all these moves is a 50 percent reduction in fuel consumption by those holding additional authorizations. During the first quarter, they purchased one-sixth (60,000 tons) of the "consumer" gasoline sold in Poland, i.e., less than taxi drivers, whose official purchases were more than 75,000 tons.

Direction Tarnawa said: /--It upsets some people that among car owners there are the equal and the more equal. However, we cannot initiate a campaign to rid ourselves of all service vehicles, since a car is necessary today for many professions--doctors, veterinarians, inseminators, vegetable stand operators and artisans. Thus, it is no wonder that we have the institution of extra allotments. Besides, as the numbers cited previously show, they have no practical impact on the problem of our fuel balance./

There is a gasoline shortage; there are limits--agreed. But why make the lives of car owners more complicated? Why, for example, were CPN station employees not permitted to pour the gas allocation into a can? Why, at the end of June, were Warsaw residents forced to go outside the Warsaw City Voivodship to implement delayed May allotments? And, conversely, why did the residents of neighboring voivodships come to Warsaw to buy fuel, as reported in ZYCIE WARSZAWY? People burned their gasoline and lost time. Finally, why couldn't the lines several hundreds of meters long at CPN stations have been shortened by extending the date of validity of normal and extra authorizations until 5 or 10 July?

Director Tarnawa explains: /The best thing would be to have the gasoline, and then there would be no issue. However, since we do not have it, and since we are short of fuel in industry and in the socialized economy, we must patch the holes there above all, and we are doing this. In such a situation, where we cannot afford the luxury of riding in a private car, anything goes. The more often the principles of state control change, the better they are. It foils the schemes. The next point: gasoline poured into a can is gasoline that has already been used. Then, extending the validity of authorizations would make it necessary to sell additional thousands upon thousands of tons of fuel. If someone had to go somewhere and did not buy gas by 25 or 27 June, he did not really need it. And applying the principle of "anything goes"

is proved by the fact that every month easily 15 percent more fuel is sold than is allotted. And we simply are near the threshold.

In room 336, three young women pass out permission slips for extra allotments of gasoline. Green, blue, yellow—for 2x15 liters, 4x15 liters, 2x30 liters and 4x30 liters. A new practice: when one gets a slip, he must present proof of his PZU payment to be stamped. Formerly, some people tried to get several slips and succeeded. The stamping is done to prevent this. However, there are probably still those that buy or falsify proof of their PZU payment. The possibilities are many: anything goes.

Table 1. Gasoline and Fuel Oil Consumption in Millions of Tons*

<u>Fuel</u>	<u>Designation</u>	<u>1978</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983(projected)</u>
Gasoline	Transport	2	1.8	1.4	1.3	1.3
	Consumers	1.2	1.5	1.8	1.5	1.6
Fuel Oil	Transport	5.4	5.4	4.8	4.6	4.9
	Consumers	0.3	0.3	0.4	0.4	0.4

*The differences between the balance and consumption emanate from the fact that export and reserves were not taken into account in previous years, losses and this year's procurement of fuel oil for fishing fleets at fishing grounds, as well as state reserves (Data from GIGE).

Prospects for Imports, Production

Warsaw POLITYKA in Polish No 29, 16 Jul 83 p 5

[Article by Jerzy Baczynski; material enclosed in slantlines printed in boldface]

[Text] /As long as there are still crude oil explorations ongoing in Poland, we should not lose hope. Once in a while, something gushes forth. The most spectacular gusher was near Karlin, and then the "big one" was supposed to appear in Lublin. If nothing is found along this trail, however, there is always the Baltic sea bottom. We shall search and we shall see. For the time being, however, domestic crude extraction is declining every year. Our greatest extraction was in 1975 (550,000 tons). In 1983 we will extract perhaps 200,000 tons. At current consumption levels, this will last about 5 days. We will have to import the rest./

Before the 1977-1979 crisis, we imported 16 to 17 million tons of crude per year: about 13 million tons from the Soviet Union and an average of 3.5 million tons from capitalist countries. Added to this was more than 2 million tons of petroleum products (gasoline, fuel oil and furnace oil) purchased primarily from the USSR. Thus, although we never had an abundance of crude, we were able to make ends meet.

Poland's petroleum crisis began in 1980, when we had to cut back our import paid for in dollars from 4 to 2.2 million tons. The following year was even worse--we could afford only 400,000 tons. Last year we purchased less than 250,000 tons for hard foreign exchange--two average-size tankers. Practically the only other deliveries were Soviet. Crude oil processing in Poland declined from 17 to 13.2 million tons, i.e., to 1975 levels. However, 8 years ago we had 1.5 million registered automobiles in Poland, while now we have 3.5 million. According to estimates made at the end of the 1970's, we should now process 22 to 23 million tons of crude per year. Even assuming that these figures allowed for future development, we are short at least 5 to 6 million tons--one-half of what we use.

What is our potential for increasing import? Sad to say, it is almost nil. There is now an oil glut on the world crude market. This year, the supply surplus caused prices to fall by one-fourth. This gives us little solace, since we must still pay more than \$200 per ton of crude. /If we wished to import as much as we did in 1979, it would cost us \$750 million. We can figure it another way, assuming that we would pay for crude imports with coal exports. At present, a ton of stoking coal costs about \$40. Thus, we would have to pay 5 million tons of coal for 1 million tons of crude./ Altogether, we could purchase 3 million tons of crude with the money obtained last year from coal exports to the West. This year we will import 5 million tons of crude from Iraq and that is all we can afford, according to the Ministry of Foreign Trade. Given the current payments situation, we are almost totally dependent on purchasing Soviet crude.

For many years, crude imports from the USSR have been set at about 12 to 13 million tons per year. This volume is designated in long-term mutual trade agreements. Other CEMA countries are in a similar position. They receive a certain agreed-on amount from the USSR and must purchase the rest for foreign exchange. /We pay for Soviet crude in so-called creeping prices (average worldwide prices for the last 5 years), which are still lower than free market prices. The difference amounts to about \$30 per ton. However, the most important factor is that we purchase this crude in exchange for exported Polish goods and not for hard foreign exchange. From the viewpoint of our own interests, it would be more advantageous to try to increase crude deliveries from the USSR./

In the opinion of one of our MHZ [Ministry of Foreign Trade] specialists, the most important issue today is not increasing Soviet deliveries, but maintaining our current level of deliveries from the USSR. The fact that we are still buying about 13 million tons is a sign of success! Above all we are indebted to the USSR, and with our negative trade balance it would be difficult to seek additional imports.

Furthermore, the Soviet Union does not export crude to CEMA countries alone. Half of the USSR's hard currency income derives from the sale of crude. Thus, the amount designated for the socialist states, Poland included, is limited by the volume of extraction, domestic consumption and export to other areas. Last year, for example, Soviet crude deliveries to the CSSR, the GDR and Hungary declined by approximately 10 to 12 percent. It would be good

if we could buy more, but that depends both upon the export potential of the USSR and upon our total export capabilities.

Thus, our crude oil balance this year looks like this: domestic production--200,000 tons, import from the USSR--12.75 million tons, import for "dollars"--550,000 tons. /Altogether this is 13.5 million tons/ or as much as we process in our seven refineries.

Into what do we process this 13.5 million tons of crude? Are we able to increase our production of gasoline from it?

Director /Krzywda/ from the Ministry of the Chemical Industry says: "The Polish petroleum crisis manifests itself primarily in the gasoline shortage. Under the forced austerity program, we are somehow able to manage to have enough fuel oil, heating oil and even motor oil. However, we are critically short of gasoline. Unfortunately, the chemical industry cannot be of much assistance in this area. Crude has specific chemical properties that cannot be overcome. Through refining, i.e., the so-called yielding of gas as the end product has already reached its maximum."

During distillation, crude is broken up in refineries into parts: gasoline, fuel oil, boiler fuel oil, lubricants, asphalt and the like. For the purpose of obtaining more gasoline, so-called deep processing is done based on the repeated distillation of furnace oil (cracking). In Poland, only about 20 percent of the total amount of petroleum products goes into furnace oil, while about 40 percent is made into furnace oil in West European countries. The difference lies in the depth of the processing. They do not have to or need to extract gasoline in that way.

As a result of the process of crude distillation we obtain, in addition to furnace oil, 22 percent gasoline (about 3 million tons), 33 percent fuel oil, 3.6 percent motor oil, lubricating oil and lubricants, 1.4 percent liquified petroleum gas, 8 percent asphalts and adhesives, 1 to 2 percent aromatic derivatives (benzene, toluene and xylene) and 6 percent soft asphalt (the residue after refining). These proportions cannot be determined freely.

The chemical industry takes about 500,000 tons of so-called pyrolitic gasoline from this 3 million tons of gasoline. It is used as an initial raw material in plastics production (polypropylene, polyethylene and pvc [as published--polyvinyl chloride]). In the next few months, a pvc plant is to be opened in Wloclawek and two ethylene glycol and ethylene oxide plants are to be opened in Plock. Thus, the chemical industry will take an additional 100,000 tons of gasoline this year and 200,000 tons next year. The share of motor fuel in total petroleum product production will decline from 18 to 16 percent.

We will compensate for this reduction through additional purchases of gasoline from the USSR. The yearly plan projects that the Soviet Union will sell us about 300,000 tons of gasoline, 1,400 tons of fuel oil and 240 tons of heating oil. These plans have been modified: we will buy 540,000 tons of gasoline at the expense of reducing our fuel oil imports. Recently, we have bought small amounts of gas from Romania (25,000 tons) in exchange for Polish coal.

However, these attempts to fill up the holes do not change the general situation. /Importing 13.5 million tons of crude will not take us very far; the economy will not be able to function efficiently, nor will automobile transportation run normally./

Currently, per capita liquid fuel production in Poland is running at about 300 kg. In the CSSR, the GDR and Romania, this figure is 1,000 kg, and in highly developed countries it is 2 to 3 tons./

/Unfortunately, we shall not replace gasoline with coal. Nor can we make bricks without straw./

Suggested Solutions

Warsaw POLITYKA in Polish No 29, 16 Jul 83 p 5

[Article by Zygmunt Szeliga; material enclosed in slantlines printed in boldface]

[Text] /We have decided to give an extensive presentation of our gasoline crisis as viewed from various angles. It has come to be taken very seriously and has led to the making of sweeping decisions. Observing the situation, one may conclude that it is being treated as a divine scourge that cannot be counteracted. This kind of thinking may keep us in a crisis situation for years; meanwhile, all the pathological phenomena that accompany an abnormal situation will develop and grow./

In approaching the gasoline crisis in terms of a program for resolving it, we must distinguish clearly two temporal and mental perspectives. In the short-term (although this term is very relative) of the next 18 to 30 months we must expect that /we will be almost certain to have available in Poland not much more than a million tons of crude per month./ What can we do under such conditions, rejecting the extremist variants of calling a total halt to the progress of automobile driving and of the administrative immobilizing of a significant number of vehicles?

--First: I am in favor of economic resolution, i.e., reaching /stable market prices/ as quickly as possible. No doubt this idea will anger most readers who drive automobiles, including the authors of the companion pieces to this article, but we must become brutally aware that without this we will have more and more real and chance offenders and more and more pathological phenomena. Here nothing will help the "padding" of the state control system--not even a huge army of inspectors. Most importantly however, I propose a totally different mechanism of price increases than is now in effect. /I propose that they not have the form of an increase in the turnover tax that goes into the state budget, but that they go entirely into a separate, special gasoline crisis fund and then that they be used in their entirety to finance ventures for moderating and ultimately eliminating the crisis./ Some proposals for such ventures follow.

--Second: until we arrive at stable market prices, state control must be maintained. Since there is an endless quarrel on the subject of the now binding state control system--especially between the press and GIGE and CPN--I propose

/that an impartial commission be appointed under the auspices of the Consultative Economic Council or the Socioeconomic Council. The commission's task would be to assess the state control system and to study thoroughly all accusations and proposed changes./ I personally believe that, for example, the stiff monthly and quarterly allotments and the prohibiting of pouring gasoline into cans only result in much wasted fuel, not to speak of the tremendous waste of time and the nerves of car owners and gasoline station employees. The final days of June are the best proof of this, and the argument cited previously that since some automobile drivers did not manage to buy their quarterly allotment, some gasoline was saved is simply shameful.

Third: /I propose that there be an immediate and absolute ban against importing--whatever the source--all vehicles with gasoline engines exceeding 1,300 cubic centimeters in capacity./ The sole exception to this would be foreign institutions and enterprises operating in Poland under the condition that they purchase gasoline for convertible currencies.

This much we can and I think must do over the short-term. Our long-term action must be geared toward general solutions for the gasoline crisis. Here again I present several ideas that are realistic to greater or lesser degrees.

--It is relatively certain that the first issue is /to reduce the "gasoline-intensiveness" of our cars./ It should take our automobile plants literally under 20 months to shift /totally/ into the production of cars that use less gasoline than current models and to go into production of cars with high-compression engines.

--Perhaps the idea of returning to /synthetic gasoline/ should also be discussed. We did produce it at one time; several such plants are currently in operation throughout the world. It was clearly unprofitable when a ton of crude cost less than 2 tons of coal. But who knows how much it would cost us today, when a ton of coal costs 2,500 zlotys and may reach 3,000 or 4,000 zlotys, and a ton of gasoline averages more than 40,000 zlotys and may reach up to 70,000 zlotys? In any event, it is worth calculating the costs.

--Finally, the third point to be considered very seriously is /an increase in crude import./ Here we must realize above all that the catastrophic scale of our gasoline crisis is reflected in the equally /catastrophic absence of our economy on the markets of developing countries/--the major producers of crude oil. Thus, our prospects of importing crude must be tied in with our export activity on these markets.

While this activity has grown of late, Poland's overall economic situation and state of indebtedness do not place it in a preferential position for acquiring crude. That is why /we must be even more active./ Here I return to my earlier notion of creating a special gasoline crisis fund based on an increase in fuel prices. This fund, which would be entrusted to enterprising organizers, could also help to expand export, with the income obtained in this way to be used for additional imports of crude and fuel. Only 10 zlotys added as a surcharge to the price of a liter of gasoline yields more than 30 billion zlotys over the course of a year--a sum that would allow us to achieve a great deal.

Other uses for the gasoline crisis fund could be the financing of ventures to speed up the modernization of automobile plants, investment in work on "coal liquefaction" (or the production of synthetic gasoline) and the like.

I have presented several ideas; no doubt there are many more. /Let us begin, then, to collect and discuss them and let us attempt to do something instead of floundering about in the blind alleys of state control waiting for the economy as a whole to stand finally on its own two feet and pull itself out of the crisis. This will ensure us, if not an abundance of gasoline; at least a relatively sufficient amount at the pump and in our tanks./

8536

CS0: 2600/1102

YUGOSLAVIA

TANJUG KILLS REPORT ON INA OIL EXPORTS

AU251925 Belgrade TANJUG Domestic Service in Serbo-Croatian 1355 GMT 25 Jul 83

[TANJUG Domestic Service in Serbo-Croatian at 1225 GMT on 25 July on its second channel kills the following "general service" item, saying "we will transmit another report under the same number." At 1403 GMT, again on the second channel, TANJUG repeats the kill: "Message to editors: As we have announced, news item No 83, 'INA Exports Oil,' is killed and we ask you in no case to use it. We will not issue another report on this."]

[Text] Zagreb, 25 Jun (TANJUG)--The Workers Council of the INA Composite Organization of Associated Labor adopted today the decision on the basis of which this collective will export to the hard currency markets, in the next 5 months, significant quantities of crude oil and other products. The Federal Executive Council has given prior agreement to such exports, empowering the INA Composite Organization of Associated Labor to export 500,000 tons of crude oil, 226,000 tons of oil products, and 140,000 tons of fertilizers.

It was pointed out at a session of the workers council that such exports are necessary to provide foreign exchange to meet INA's obligations abroad, amounting this year to \$251 million.

The delegates of the workers council concluded that in implementing these exports, efforts must be made to export to foreign markets the largest possible amount of high value products, and that at the same time account must be taken in adjusting the flow of these exports to the demands of the domestic market. In this way--in conjunction with other measures--it was stressed, these exports will affect in the least possible way the regular supply of the domestic market with crude oil, oil products, and fertilizers.

CSO: 2800/396

- END -